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PAGES 50, 51, 56



**BUDGET 98**  
BEST FOR ANALYSIS ■ ANATOLE KALETSKY ■ ANNE ASHWORTH  
■ PETER RIDDELL ■ MATTHEW PARRIS  
Inside: 12 page special section

ALL THE PRESIDENT'S WOMEN  
Simon Jenkins  
PAGE 24

# THE TIMES



35

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## It's off to work you go

### Child benefit up and Peps spared in family Budget

BY PHILIP WEBSTER AND JANET BUSH

GORDON BROWN drew a sigh of relief from middle-class voters yesterday with a milder than expected Budget containing a boost for working families and measures designed to "make work pay" for everyone.

The Chancellor of the Exchequer, confounding fears of a clobbering for Middle England by announcing an across-the-board 20 per cent increase in child benefit for the first child, climbing down on plans to tax Peps and Tessa's worth more than £50,000, and leaving mortgage interest tax relief unchanged.

He left plans to tax the child benefit payments of higher rate taxpayers for the future, deferred changes to company car rules that would have taxed people on their private rather than business mileage — even though that move is clearly on the way; and lifted the threshold for inheritance tax.

He also unveiled a series of measures to help business, including a new £50 million venture capital fund and a pledge that corporation tax would remain at 30 per cent or below for four years.

A new system will allow people to receive benefits through their pay packets, enabling the Chancellor to offer the unprecedented guarantee that all working families would receive at least £180 a week from autumn next year.

As expected, he announced a childcare tax credit that will cover 70 per cent of childcare costs of up to £100 per week for a first child and £150 per week for two or more. But the Chancellor sprung a surprise by increasing child benefit by £2.50 over and above inflation from April next year. That will be largely financed by a simultaneous cut in the married couple's tax allowance — which will cost most couples £95 a year — and Mr Brown also suggested that "it must be right" to consider taxing child benefit for higher rate payers.

Outlining the philosophy behind his Budget, the Chancellor had

declared that families were the bedrock of a stable and healthy society, and that it was people's responsibility to seek work.

Promising a "once in a generation" modernisation of the tax and benefit system, he offered a "guarantee" that it would pay people to work, and he described the new working families tax credit as a tax cut for hundreds of thousands of low-income families.

The changes meant that in a family where someone worked, there was now a guaranteed income of £180 a week, and no income tax would be paid on earnings of less than £220 a week. "Because in future work will pay, those with an offer of work can have no excuse for staying at home on benefits," he said.

All workers would also benefit from a £66 cut in employees' national insurance contributions, and an overhaul of the system will make it cheaper for firms to employ workers at the lower end of the pay scale. It will, however, impose extra costs on firms with a large proportion of highly paid staff.

Mr Brown raised his biggest cheers from Labour MPs when he announced a £500 million increase in spending on health, a similar amount over three years on public transport and another £250 million on education.

As expected Mr Brown hit smokers, drivers and drinkers. Cigarettes are to go up by 10p a packet.



for small firms and a 10p capital gains tax rate for long-term investors, Mr Brown said: "My message to business is: 'this Government is on your side.'"

Mr Hague disagreed, describing the Budget and its predecessor last July as "the step by step betrayal of Britain". The Conservative leader claimed that a typical family was £798 a year worse off than under the Tories.

The Chancellor had wasted a golden economic legacy, he said. He was betraying businesses, rural areas because of costlier petrol, and even women and children. "A Labour Party that promised to protect universal benefits is now becoming the first Government ever to tax child benefit."

The City, however, found little to criticise. Economists said that Mr Brown's forecasts for public borrowing were ultra-cautious and that the reality suggested that Britain would return to budget surpluses next year — a year earlier than the Chancellor expects.

Roger Brodie, chief economist of Midland Bank, said that the Chancellor's caution was a deliberate ploy to fend off demands for increased public spending from Labour backbenchers. He said: "Mr Brown has a considerable war chest, but he doesn't want backbenchers to realise it."

The one criticism was that Mr Brown had failed to act to dampen consumer spending, increasing the threat of higher interest rates.

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"Oh darling, you shouldn't have"

#### BUDGET SUMMARY

**Cigarettes and alcohol:** Packet of 20 cigarettes up from 20p from December 1. Beer up 1p a pint and wine 4p a bottle from January 1. Spirits duty frozen. Action on smuggling and fraud.

**Motoring:** Unleaded petrol and ultra-low sulphur diesel up 4.43p a litre. Ordinary diesel up 5.5p. Leaded petrol up 4.9p a litre. Licence fee frozen for all vehicles this year. Licence fee for lorries and buses with clean engines cut by up to £500 from January 1999. Reduced licence fee for low-emission cars from next year. Licence fee to be cut by £50 for cleanest and smallest cars.

**Mortgages:** No change to mortgage interest tax relief or stamp duty on property below £250,000. Above £250,000, stamp duty up to 2 per cent from Tuesday and 3 per cent on sales above £500,000.

**Education:** Extra £250 million mainly for schools in England above the £2.3 billion already announced.

**Childcare:** New credit to cover up to 70 per cent of childcare costs up to £100 a week for first child and £150 for two or more. Help for lone parents of school-age children who want to work so they do not risk benefit loss as a result of brief periods in work.

**Low pay:** Families with someone working full-time will have guaranteed income of at least £180 a week and no income tax will be paid on earnings below £220.

**Families with two children to pay no income tax until they earn more than 50 per cent of average earnings.** Working Families Tax Credit to replace Family Credit. Child benefit raised for first child by £2.50 a week from April 1999.

**Charitable donations:** Charitable donations to be tax deductible on a 10p rate. Basic rate tax relief to remain for this Parliament.

**Company tax:** Corporation tax for larger companies cut by 1p to 30c from April 1999. Corporation tax for small firms cut to 20c.

**Advanced Corporation Tax:** Scrapped from April 1999. Employers to pay no National Insurance on employees earning less than £81 a week. Employers' contributions cut to 12.2 per cent for staff earning over £81.

**Savings:** Peps and Tessa's relieved, allowing investors with more than £50,000 to retain tax benefits.

**Cash holding:** For first year of new Individual Savings Accounts raised to £3,000. Tax reliefs guaranteed for 10 years for sea savings of up to £5,000 a year. Inheritance tax thresholds raised by £5,000.

**Energy:** VAT cut from 17.5 per cent to 5 per cent on the installation of energy-saving materials funded by certain government grant schemes.

**Looking forward:** Inflation forecast to be 3 per cent this year and to hit the 2.5 per cent target next year. Economic growth could be between 1.75 per cent and 2.25 per cent next year and between 2.25 per cent and 2.75 per cent in 2000. Government borrowing expected to be £5 billion in 1997-98 and £4 billion in 1998-99. The Budget is forecast to be in balance by 2000.

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## Angry Netanyahu cancels dinner with Cook

FROM MICHAEL BRYNON AND CHRISTOPHER WALKER IN JERUSALEM

IN an extraordinary snub to Robin Cook, the Israeli Prime Minister yesterday cancelled a dinner for him in protest over his meeting with Palestinian officials at the Har Homa settlement.

Benjamin Netanyahu saw the Foreign Secretary for a brief meeting but refused to sit down with him to discuss the peace process over dinner as had been arranged two days ago. Israel also formally protested to Britain, claiming that Mr Cook had broken an agreement not to meet any Palestinians at the site yesterday.

Israel television, reporting the deterioration in Anglo-Israeli relations last night, said that Mr Netanyahu was going to phone Tony Blair to tell him that his Foreign Secretary was biased. Such a move is almost unprecedented in public diplomacy and suggests that the Israelis believe they have a far better relationship with the Prime Minister, who is due here for a visit next month.

Mr Netanyahu also briefed journalists alone after his meeting with Mr Cook instead of holding a joint



Mr Cook with an Israeli security man during his visit to the settlement

press conference as planned. Mr Cook gave his own separate account of the meeting.

The Israeli Government said last night that Mr Netanyahu had decided to cancel the dinner because Mr Cook had dishonoured a diplomatic agreement made earlier about his visit to the disputed east Jerusalem settlement.

Moshe Fogel, a government spokesman, claimed that the British delegation had reneged on a verbal agreement to meet only

Israeli officials at the site and not Palestinians. Israel claims that Har Homa is part of its sovereign territory while Britain follows the United Nations line that it is territory annexed by Israel in 1967.

"I can only use a British expression to explain what Mr Cook did wrong. What he did is 'just not done'. It is very un-British to have an agreement and an understanding on an issue like Har Homa and to find that it is just not honoured," Mr Fogel said.

Mr Cook categorically denied that Britain had broken its promise not to accept any briefing except from the Israelis at Har Homa. He said that he had merely shaken hands as a diplomatic courtesy with some of the Palestinians present.

Mr Fogel said: "There was an understanding that a government representative would be there explaining at Har Homa and that would be it. And lo and behold there is a Palestinian leader there who met afterwards with the Foreign Secretary."

Yossi Beilin, the former Israeli Labour Cabinet minister and architect of the Oslo peace process, said last night that Mr Netanyahu had made a big mistake in treating the Har Homa visit as a main part of Mr Cook's programme.

"This puts the issue very high on the international agenda when Jerusalem should be part of the last stage of a permanent solution. The only ones who will pay a price will be the Israelis," he said.

"We cannot afford a deterioration in relations with Britain. The snub is also to the European Union as Mr Cook comes representing the Presidency."

Mr Cook has also been informed that his marriage is officially over

(Shirley English writes). His former wife, Margaret, said yesterday that she had contacted the Foreign Office with the news on Monday.

"I rang up one of the secretaries and told them to let Mr Cook know that the divorce came through on Friday. I wanted him to hear it from me rather than through the newspapers," she said.

Dr Cook, 53, a consultant haematologist at St John's Hospital in Livingston, spoke of her feelings of relief and liberation.

She said she had lots of plans for the future and did not feel bitter. "Obviously there are downsides as well, but it is important to accept things and try and move on from there. There have been lots of positive things that have come out of it which were unforeseen, but no, I am not seeing anyone else."

She said her two sons had taken the divorce "in their stride. It has all been fairly difficult for them but they are young and resilient." She said she had received no word from Mr Cook.

The couple last spoke ten days ago when he telephoned her to say he had signed some papers.

Cook riles critics, page 3  
Leading article, page 25

### Aitken arrested

Jonathan Aitken was arrested and released on bail after questioning for two hours by detectives. It has been disclosed that he has been holding meetings with advisers in an attempt to stave off financial ruin. Page 2

### Oxbridge cuts

Oxford and Cambridge colleges could lose up to a third of their government funding under new proposals. College heads at Oxford will hear a call today for the cuts to be passed on to students in the form of "top-up" fees. Page 2

TV & RADIO	54.55
WEATHER	28
CROSSWORDS	28.56
LETTERS	25.37
OBITUARIES	27
SIMON JENKINS	24
ARTS	39.41
CHESS & BRIDGE	49
COURT & SOCIAL	26
SPORT	48-54.56
HOMES	44.45
LAW REPORT	43



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# Oxbridge colleges face multimillion cut in government funding

Students may have to make up shortfall with top-up fees, report John O'Leary and David Charter

OXFORD and Cambridge universities could lose up to a third of their government funding under proposals slipped out last night under cover of the Budget. College heads at Oxford will hear a call today for the cuts to be passed on to students in the form of "top-up" fees. The vice-chancellors of Oxford and Cambridge will meet tomorrow to discuss their next move. The historic universities have been waiting since the turn of the year to hear the outcome of a review of government funding for colleges, which is worth £35 million a year. The Higher Education

Funding Council recommended that fees should be channelled through the central university budgets, rather than paid direct to colleges, but an announcement was delayed after disagreement between education ministers and Downing Street. David Blunkett, the Education and Employment Secretary, confirmed yesterday that the separate fees would be retained for 1998-99 and increased by 2.7 per cent, in line with the rest of higher education. But "more transparent ar-

rangements" would be introduced in the following year. Mr Blunkett demanded "robust arrangements to maintain excellence" at the two universities. But Oxford and Cambridge would lose up to 1 per cent of their total government funding each year in "efficiency gains" and would have to bid for extra money for the excellence of their teaching and research, and the cost of maintaining their old buildings. Although no time limit was set for the reductions, the universities expect the changes to be introduced

over a ten-year period. Government sources acknowledged that eventually they could lose up to £12 million of the £35 million they currently receive. Geoffrey Marston, provost of The Queen's College, Oxford, said he would be calling today for the colleges to collect at least some of the money from students. However, the Teaching and Higher Education Bill, currently before Parliament, gives Mr Blunkett reserve powers to recoup any amount charged to students from

the university. "We are selling our services and at some point we have got to assert that," said Dr Marshall. "We cannot stop the Government from reducing the amount of money they give but we can say we are entitled to maintain our fee income by charging for it. That is a decision the colleges will have to take because even the richer colleges are going to lose substantial sums." Colin Lucas, Oxford's Vice-Chancellor, said: "We are naturally

concerned about this outcome. The new arrangements would appear to challenge the historic autonomy enjoyed by colleges at Oxford. "Just as serious, we believe that in the medium to long run, the new arrangements could lead to a severe dent on our public funding which cannot but erode the excellence we are all keen to protect." Professor Sir Alec Broers, Vice-Chancellor of Cambridge, said: "We are concerned that the proposed route for funds will have a damaging impact on the colleges'

independence and that the proposed long-range cut in funding is severe." Mr Blunkett said, however, that the announcement showed that the Government had listened to the points made by the universities. The new arrangements reflect our determination to safeguard excellence in teaching and research at Oxford and Cambridge, while at the same time promoting a more equitable distribution of funding, both within and between universities, through a more rational, transparent system of funding which promotes value for money."

Letters, page 23

# Friends say bailed Aitken teeters on the brink of financial ruin

The man once tipped as Tory leader may have to sell his homes, report Andrew Pierce and Stephen Farrell

JONATHAN AITKEN was arrested yesterday and released on bail after two hours of questioning by detectives. His estranged wife, Lolicia, faces the same fate when she next returns to England from her home in Switzerland. As a white-faced Mr Aitken returned to his home in Westminster yesterday lunchtime to speak briefly to reporters it emerged he was holding urgent meetings with his advisers to try to stave off financial ruin.

The latest twist came one day after Mr Aitken's daughter Victoria, 17, was arrested and questioned. She was also released on police bail.

After stepping out of a white Renault and posing for photographs on the doorstep of his home in Lord North Street, Westminster, Mr Aitken said: "I can confirm that I this morning voluntarily attended an interview with the police in connection with the allegations made against me and my daughter. I was released on unconditional bail."

"On legal advice that is all I

am saying at the present time."

Mr Aitken, who once staged a televised press conference in which he wielded a metaphorical "sword of truth" to defend his reputation when the original allegations about his financial dependency on the Saudis were published, retreated into his house and refused to answer any questions.

Mr Aitken has confided to friends his bitter regrets about the involvement of his wife and daughter in his misfortune. "He has great regrets, very great regrets. But he does not deserve this witch-hunt," one sympathiser said last night.

Faced with a legal bill of £2 million for his collapsed libel trial, Mr Aitken is holding talks about the sale of his elegant five-storey Georgian home in Lord North Street.

Mr Aitken acquired the ten-room house in 1959 on a 42-year lease and bought the freehold in 1981 for £225,000. The house, complete with ballroom, was one of the most influential political salons of the Thatcher era. It is the former home of Brendan Bracken, who was Sir Winston Churchill's information chief during the war.

Negotiations are also being concluded for the sale of Mr Aitken's country home in Sandwich, Kent, which is believed to have fetched between £400,000 and £500,000. He bought the White House, with views of the Channel and the Royal St George's golf course, in 1987.

"He is ruined," a friend said last night. "It is too late for friends to rally round to help." An attempted reconciliation with his wife, who announced



Jonathan Aitken arriving home yesterday after being interviewed at an unidentified London police station

their separation on the eve of the withdrawal from the libel trial, appears to have failed. "They are struggling," the friend added.

William Hague's office significantly declined to make any comment about the downfall of Mr Aitken, the former Chief Secretary to the Treasury, who was once talked of as a Tory party leader.

Mr Aitken had gone to a police station in central London by prior arrangement. A spokesperson for Scotland Yard said: "A 55-year-old man this morning

voluntarily attended a London police station with his solicitors by prior appointment and was arrested. The man is being interviewed in connection with allegations of perjury and conspiracy to pervert the course of justice."

Conspiracy to pervert the course of justice carries a maximum sentence of life imprisonment; perjury can lead to seven years in jail. Mr Aitken was questioned over allegations that he lied on oath during his libel trial, against Granada Television's *World in Action* and *The Guardian*,

which collapsed spectacularly nine months ago.

Said Ayas, a close friend and business associate and godfather of Victoria Aitken, was also arrested and released on bail on Monday. Mr Ayas was alleged to have paid Mr Aitken's £1,000 hotel bill at the Paris Ritz hotel in September 1993, when Mr Aitken was Minister for Defence Procurement. Mr Aitken denied the charge, which would have been a breach of the rules on hospitality for members of the Government, and maintained his wife had settled the ac-

count. In a dramatic development halfway through the trial documents were produced that showed Mrs Aitken had been in Geneva at the time of the alleged transaction.

Mrs Aitken had already given evidence. Their daughter, Victoria, had signed an affidavit and was also due to appear in the witness box.

The contradiction caused Mr Aitken's sudden withdrawal from the trial that has led to his political, professional and financial ruin. The arrests follow a nine-month investigation by the police.

# Chief Justice defends right to privacy of Mason judges

By Frances Gibb, Legal Correspondent

THE Lord Chief Justice said yesterday that he saw no reason why judges who are Freemasons should have to declare their membership, as the Government may require them to do.

Lord Bingham of Cornhill told MPs that the Judges' Council, the body of 15 most senior judges, would shortly consider its response to the Government's proposals to identify Freemasons in the criminal justice system.

The Lord Chief Justice, speaking for the first time on the subject of Freemasonry, said he could not say what that response would be but he had a "shrewd idea".

He told the Home Affairs Select Committee: "Our position always has been that there has never been a vestige of evidence that any judge in any case has been directed from doing his duty by any conflict arising from his Freemasonic association." Among senior judges, he added, Freemasons were a "rare bird", with only one in the Court of Appeal and two out of 96 High Court judges. "I frankly do not recognise the possibility of the problem so far as judges are concerned. They take a judicial oath and take it very seriously." The instance of membership was minute.

Asked by David Winnick, MP, if he favoured judges declaring their membership, Lord Bingham pointed out that there had not been any such invitation from the Home Secretary. But he did not favour it if the Home Secretary indicated that he wished judges to declare their membership, they would take that seriously.

But he said: "In the absence of any invitation to make one's associations

public, one should be entitled to keep them private."

Jack Straw, recently announced that all new judges would have to declare if they were Freemasons as a condition of taking office. He also plans to write to the United Grand Lodge, asking for lists of Masons in the criminal justice system, including judges. If that is refused, voluntary registers will be compiled.

Earlier, Lord Bingham reiterated his plea for the ending of the mandatory life sentence for murder, so that judges would have the discretion to fit the punishment to the crime, and judges — not politicians — decide murderers' release dates.

"If a punishment was right at the time of trial, it could not be right to say 30 years on that the punishment was 'wrong' and should be extended because the public was hostile to that person," he said.

He made clear he was not talking about specific cases, although some may relate his remarks to Myra Hindley, whose release date has been extended by successive Home Secretaries.



Lord Bingham: no evidence of conflict



Lolicia Aitken: faces arrest on her return

How to work as efficiently out of the office...

# EU ministers question ban on duty-free sales

FROM CHARLES BREMNER IN BRUSSELS

SMOKERS and drinkers can take some solace from a move by EU transport ministers yesterday that could lead to a review of the decision to abolish duty-free sales for European air and sea travellers from next year.

Swayed by industry warnings of heavy job losses and bankruptcies, the ministers called on the EU's finance council to ask the Commission to assess the impact of carrying out the 1991 decision. Supporters of the powerful duty-free lobby hailed the move as a first softening in the EU's fierce resistance to any reprieve for the July 1999 deadline for ending all sales to travellers within the union. "This was a very positive response," Mary O'Rourke, the Irish minister for Public Enterprise who has been leading her Government's fight against the duty-free deadline, said.

Glenda Jackson, the junior Transport Minister, backed yesterday's call, as well as

ministers from eight other states, including Germany and France. Gavin Strang, the Transport Minister, will now put the request to Ecofin, the powerful finance council. This is required to vote unanimously for any Commission study.

It is uncertain whether the finance ministers, with their different priorities, will take up the call from their transport colleagues. Gordon Brown, the Chancellor, last week dismissed suggestions that the matter could be reopened. Mr Brown was understood to have been annoyed by the decision by John Prescott, the Deputy Prime Minister, to agree to an Irish request to put duty free on yesterday's transport agenda. Mr Prescott said the likely economic impact made a case for a possible rethink.

Yesterday's move has been prompted by public opinion and fears over the economic fallout. Earlier this month, Lionel Jospin, the French Prime Minister, signalled

French concern by appointing the MP for Calais, to take up the duty-free issue. German wavering was partly driven by a call this month from Gerhard Schröder, the new Social Democrat candidate for the Chancellorship, to reconsider the abolition. Herr Schröder is Premier of Lower Saxony, which includes Hamburg and other big ports.

The duty-free business was held by member states to be an anomaly in the single market, and a subsidy for the travel industry. However, the industry earns £4.8 billion a year in Europe, and is arguing that the end of tax-free sales inside the EU could cost up to £50,000 jobs, raise ticket prices, and bankrupt some airlines, ferries and airports. It would also kill a showcase for European products, they say.

Duty free is still set to continue for the travellers entering and leaving the EU, a much smaller number than inter-EU travellers.

# No action against ally of Prescott over bill

By Dominic Kennedy

JOHN BLACK, the former Lord Mayor of Hull and close ally of John Prescott, will not be prosecuted over a £42,000 hospitality bill, Humberside Police announced.

Mr Black was vice-chairman of the housing action trust that sold houses to a firm employing Mr Prescott's son Johnathan for £5,300 each, leading the Deputy Prime Minister to order an internal audit last week. The auditors found no impropriety.

During his year as Lord Mayor from 1995-96, Mr Black spent twice as much on hospitality as his predecessors, including £10,000 on drinks. Humberside Police's fraud squad launched an inquiry after Andrea Walker, a Liberal Democrat, refused to sign the mayoral expenses.

The Crown Prosecution Service yesterday told police there was insufficient evidence to justify criminal proceedings.

# Diana aides receive royal honours

By Alan Hamilton

TWO close aides of Diana, Princess of Wales, received personal honours from the Queen at a Buckingham Palace investiture yesterday, and one of them confessed that he was looking for a new job.

Michael Gibbins, 54, an accountant who became the Princess's comptroller and private secretary in the last year of her life, was made a Lieutenant of the Royal Victorian Order, a decoration in the Queen's personal gift. Inspector Ken Wharfe, 49, of the

Metropolitan Police royalty and diplomatic protection branch, who was a personal bodyguard to the Princess and her sons for seven years, was made a member of the same order.

Mr Gibbins, who now acts as honorary secretary to the Diana, Princess of Wales Memorial Fund, said after the ceremony: "I am doing some work for the Princess's executors, which is on a part-time basis, but I need something to fill the other days. Clearly I need to look around and see what else I can do."

Mr Gibbins, formerly a senior partner with the accountants KPMG, took over

management of Diana's household in August 1996. He said he regarded his award as recognition of the whole of the Princess's team: "It is an enormously proud day, but clearly it is tinged with a certain amount of sadness. It has been an emotional time, and a nightmare six months."

Other guests at yesterday's palace investiture included Professor Sir John Paterson, the government's senior adviser on BSE, and Jenny Pimman, the racehorse trainer, who left early after receiving her insignia of the OBE for a pressing engagement at Cheltenham.

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# Surgeon faces charge over death of girl, 6

Heart consultant denies ignoring parents' wishes, writes Richard Duce

A GIRL, aged six, died after a consultant performed an operation at Great Ormond Street Hospital for Children without obtaining her parents' consent.

James Taylor allegedly knew that neither Ross nor Carolyn Jenkins had agreed, but pressed ahead with the heart operation on their daughter Debbie. The child suffered irreversible brain damage and died the next day, a General Medical Council hearing in central London was told yesterday.



Debbie Jenkins, who died a day after James Taylor performed a heart operation on her in July 1995

He was naturally upset. He had been trying to help. Sympathy is not the point. There was no emergency.

Dr Taylor, a paediatric cardiologist, denies a charge of serious professional misconduct brought by Mr and Mrs Jenkins, whose action has been funded by the General Medical Council. Both parents were devastated by the death of their only daughter in July 1995, and Mr Jenkins says that he still cries himself to sleep.

Debbie's blood flow, Mr Burke said: "It went horribly wrong." The balloon burst and cut off blood supply to the girl's brain. Doctors spent three hours trying to retrieve the balloon. Mr Burke said there had been no urgent need to insert the balloon catheter, and, even if there had been, Dr Taylor could have got consent from Mrs Jenkins, who was at the hospital. Mr Burke said Dr Taylor went to see Mrs Jenkins. "Dr Taylor was naturally upset. He said he was devastated. He said it was his fault, he had been trying to help Debbie but it had gone drastically wrong."

Sympathy is not the point. These events were plainly serious professional misconduct. There was no emergency, no urgency.

At an inquest Stephen Chan, the St Pancras Coroner, recorded a verdict of manslaughter, describing Dr Taylor's actions as "reckless and unwarranted" but said that there was "not a shred of evidence of gross negligence". The coroner added: "It is not difficult to understand the parents' sense of outrage."

Mrs Jenkins was sometimes in tears during her evidence as she told the hearing that Dr Taylor had assured her that he would not be inserting a balloon catheter. After she learnt that something had gone wrong, Dr Taylor had allegedly said to her: "It's my fault, the way Debbie is. I should have stuck to what I said last evening."

Mrs Jenkins said that she and her husband had agreed to an investigative operation by Dr Taylor only because their daughter was showing increasing signs of tiredness. She said: "It was the biggest mistake of my life."

Dr Taylor admits operating on Debbie without obtaining her parents' consent, but denies having told them that he would not use such a procedure, and denies being aware that they were opposed to the procedure. The hearing continues today.



Ross and Carolyn Jenkins at the hearing into the death of their only daughter yesterday

# Explosion at store linked to Mardi Gra bomber

By MICHAEL HORSNELL

AN EXPLOSION near a supermarket yesterday has been attributed by police to the Mardi Gra bomber.

A small device left in a black plastic bag close to a bus stop yards from a Sainsbury's store in the high street at Eltham, southeast London, went off shortly after midday. No one was hurt, but two elderly women who had been standing at the bus stop were treated for shock.

The incident follows a campaign of attacks on Sainsbury's stores throughout London. A Scotland Yard spokesman said: "Anti-terrorist squad detectives are investigating the explosion but this bears all the hallmarks of the Mardi Gra bomber."

Detectives said earlier this month that the bomber, whose trademark is a small device concealed in shopping bags, intends to kill and should not be underestimated. A man aged 17 was hurt in the leg just over a week ago when a device exploded outside a Sainsbury's store in Forest Hill, close to Eltham.

The home-made device, which contained a cartridge activated by a timer, was similar to those used in other recent attacks. Last month the same Sainsbury's store was the target of a similar attack, and a motorist suffered slight injuries after picking up the bag containing the device.

The Mardi Gra attacker turned his attention to Sainsbury's in November 1996 after pursuing an extortion campaign against Barclays Bank. A total of three devices sent to the bank, hidden in videotape cases or small boxes, caused slight injuries when they exploded.

In a letter to the bank the extortionist claimed to be acting on behalf of a group of disgruntled customers, and used the phrase "Welcome to the Mardi Gra".

Yesterday's device was placed at the base of a street map of the town, close to the bus stop and at the entrance to St Mary's Place, a small shopping mall leading to the supermarket, which has been attacked once before.

# Judge had key role in £1m homes swindle, court told

By TIM JONES



Judge Gee, denied a fraud charge

A CROWN Court judge was involved in a £1 million fraud that enabled a property developer to take advantage of the 1980s boom in house prices, the Old Bailey was told yesterday. Richard Gee took part in a dishonest scheme designed to get banks and building societies to part with money for speculative deals, the jury was told.

Judge Gee, 55, of Belgrave, London, denies two charges of conspiracy to defraud and two further charges of conspiring to obtain services by deception between 1980 and 1989. Joanna

Korner, QC, for the prosecution, said that Judge Gee was fully aware he was involved in "utterly bogus transactions" designed to raise money or prevent repossession of property where mortgage payments had fallen into arrears.

She said that Judge Gee, at that time a senior partner with the London law firm JB Wheatley, worked closely with a group of people headed by Patricia Ortiz, a woman who also used other names.

Miss Korner said: "It is the Crown's case that Richard Gee intentionally engaged in a dishonest course of conduct with Patricia Ortiz that was designed to mislead people

who were prepared to lend about the likely nature of the transactions."

She said that Judge Gee, who handled conveyancing, enabled Patricia Ortiz and others to obtain mortgages at favourable residential interest rates when they had no intention of living in the properties. In fact, she said, the properties were let out to visitors or to people on social security benefit, and interest rates for commercial properties would have been much higher.

Judge Gee, she added, ran his side of the business with a tight rein, and would ring every day while he was on holiday to ensure that

transactions were proceeding. Miss Korner said: "Gee knew full well of the position in which he was dishonestly engaged. His part was a vital one to ensure the mortgages were granted."

Miss Korner said that in the 1980s "there was a boom in house prices and lenders were less careful than they might have been" as they could recover their money, "if the lenders had known the truth they probably would not have authorised the loans because they would have considered it too risky," she said. The Portsmouth Building Society was said to be the main loser in the fraud. But in the property crash at the

end of the decade some lenders became aware of the extent to which they might have been duped.

The court was told that Judge Gee, who became a solicitor in 1966, began sitting on the bench in 1965 when he was appointed as an Assistant Recorder. He became a Recorder in 1988 and was made a circuit judge in 1991, one of the few solicitor-judges in Britain. After spells at Snaresbrook Crown Court and the Old Bailey, he moved to Middlesex Guildhall. At the time of his arrest he was a member of the Mental Health Appeals Tribunal. The trial, which is expected to last for three months, continues.

# Service could be better, hero tells restaurant

By PAUL THOMPSON

TWO former policemen who acted as human shields to save their wives from a terrorist grenade attack were recognised for their bravery yesterday.

Blair Davies, 51, and John Bown, 54, received British Gold Hero Awards in London from the Association of Retired and Persons Over 50 for their courage during the attack in Ethiopia.

The couples were dining at an Italian restaurant in Addis Ababa, the capital, last year, when two grenades were hurled into the room. Mr Davies and Mr Bown shielded their wives from the worst of the blast and sustained serious injuries. Pamela Davies and Margaret Bown suffered leg injuries and concussion.

The four survivors all carry shrapnel but Mr Davies was the worst hurt. He lost half his blood from blast damage to his lungs and nearly had to have a leg amputated.

He said that he protected his wife "not through any sense of bravery or heroism, but simply as an instinctive reaction towards the woman I love and share my life with."

He and Mr Bown, both retired superintendents, were sent to Ethiopia on a British-funded project to organise a community policing system. Mr Davies said yesterday that he went back to the restaurant three weeks ago and told staff: "I want to make a complaint about the service." His joke was followed by an emotional reunion with the staff when

they realised that he was the man with whom they had shared a night of terror.

Yesterday he flew the 3,000 miles back from Ethiopia, where he works as a British Government consultant to the Ethiopian police.

The trip reunited him with Mrs Davies, who lives in their home at Northampton, and is a double celebration to include the couple's thirtieth wedding anniversary. She said: "He's always doing things to surprise me and is very romantic. He was determined to make our anniversary special after what happened last year."

Mr Bown, 54, said: "This grenade rolled between Blair and me—it was just 18in from both of us. Instinctively I dived away from it, towards my wife Margaret, and Blair dived towards his wife."

Four other over-fifties re-

ceived the award, including Lady Victoire Ridsdale, 76, who fought off two masked men who tried to rob her last year in her garage at Kensington, London. One wrenched off her watch and was trying to grab her wedding ring when Lady Victoire kicked him in the groin. Both men fled.

During the Second World War, she worked in naval intelligence with Ian Fleming and is believed to have been the inspiration for Miss Moneypenny in his James Bond novels.

Other recipients were William Deacon, 50, a helicopter winchman who drowned last November after rescuing ten seamen; Major Duncan Palmer, 53, who rescued four drowning children; and Ronald Sharp, 77, who lifted a car off his trapped neighbour.



Pamela and Blair Davies with his Gold Hero Award

# Keen runner stabbed as he caught burglars

By SIMON DE BRUELLES

A KEEN runner who chased three burglars he had caught ransacking his house was stabbed through the heart when he caught up with them, a court was told yesterday.

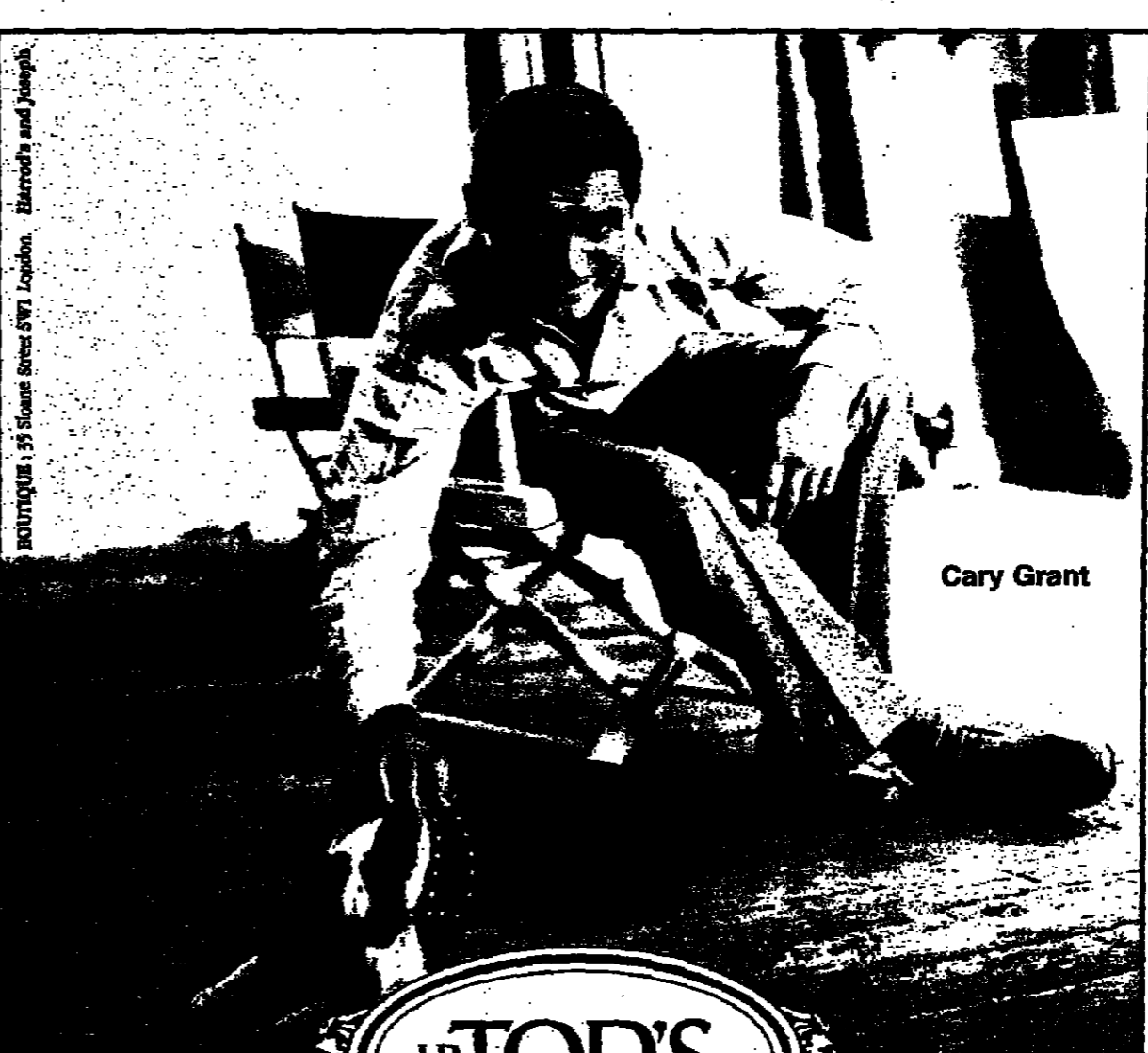
Christopher Williams, 23, a champion cross-country bike rider, disturbed the burglars when he arrived home at midnight. His girlfriend and three-year-old daughter were asleep upstairs.

Mr Williams was able to outrun the three when they dropped a stolen bag of coins and stopped to pick it up. Winston Roddick, QC, for the prosecution, said Mr Williams was stabbed once through the chest and died almost immediately. Alan Naylor, 27, Wyndham Richard Thomas, 20, and Christopher Chislett, 18, all of Croesw, South Wales, deny murder and aggravated burglary.

Swansea Crown Court was told that Mr Williams, who worked in a television factory, was late home because he had been to buy a new motorbike. The door to his terraced house in Nantyrhyllon had been left unlocked for him, allowing the burglars entry.

In the morning, his girlfriend, Melanie Hicks, 24, had been angry that he had apparently stayed out all night. She telephoned Mr Williams's mother, and shortly afterwards a policewoman told her he was dead.

The case continues.



Cary Grant

J.P. TOD'S

# Robbers jailed for jeweller's murder

THREE members of a smash-and-grab gang were yesterday given life sentences for the brutal murder of a jeweller. Gerry Hales, 61, suffered 34 wounds while trying to defend his High Street shop in the market town of Cowbridge, South Wales.

His attacker, 6ft 4in Orlando Sir, was a "terrifying figure dressed in black. He repeatedly stabbed Mr Hales, a grandfather, with a commando knife after smashing a display window with an axe. Two getaway drivers, Dallas Lee, 27, and Charles Frayne, 20, were convicted at Cardiff Crown Court of the murder and

also of wounding a passer-by, Joseph Gatt, 28, who tried to save Mr Hales. The judge said the getaway drivers must share the responsibility for the murder and serious injuries inflicted on Mr Gatt, who was stabbed by Sir.

Mr Gatt, a carpet-fitter from nearby Barry, and PC Mark Hobrough, 25, who persuaded Sir to surrender, were given public commendations in court by Mr Justice Moses.

Sir, 28, of Brighton, admitted murder and pleaded guilty to wounding Mr Gatt. Mr Justice Moses jailed him for life, also giving him 14 years for wounding and 12

years for robbery, to run concurrently. The murder came less than a year after Sir was released from a nine-year sentence for robbing a building society with a sawn-off shotgun.

Frayne, of Llanrumney, Cardiff, who took Sir to Cowbridge on a stolen motorbike, was ordered to be detained for life in a young offenders' institution, and received concurrent sentences for wounding and robbery. Lee, of Beddau, near Porthyrid, who was waiting in a stolen car two miles from Cowbridge, was jailed for life for murder and received concurrent sentences for the other charges.



صحة من الإهمال

# Sharp reminder of first contact with Aborigines to be sold



Botany Bay: first ships landed in January 1788

**BY JOHN VINCENT**  
A FIRST-HAND account of the hardships that faced the arrival of the first convict ships in Botany Bay in 1788 have surfaced in London, together with a reminder of the consequences of approaching an unwary Aborigine.

Phillip, founder and first governor of New South Wales. An accompanying notebook kept by Lieutenant, later Captain, Henry Waterhouse recalls how Governor Phillip was "introduced" by a trusty Aborigine called Benelong to his companions, feasting on a stranded whale at Manly Cove.

When the Governor advanced with outstretched hand towards one particular Aborigine, "he seem'd frighten'd and seiz'd the spear Benzalong had laid in the grass, fixed his throwing stick and immediately threw it with astonishing violence. The spear enter'd the Governor's right shoulder just above the Collar bone and went through about 3 inches. I concluded the Governor was killed."

The fleeing governor "begged my for God's sake to haul the spear out". As he was doing so "another spear came and grazed the skin off between the Thumb and fore finger of my right hand. I must own it frighten'd me a good deal and I believe added to my exertions, for the next sudden jerk I gave it, it broke short off."

Finally, the naval party escaped by boat and the Governor survived to win promotion to vice-admiral in 1810. The spearhead and notebook have emerged from Captain Waterhouse's family for sale at Christie's in London, where together they are expected to fetch up to £10,000 on April 8. They are being offered with a hefty batch of previously unpublished letters written home by Waterhouse, which should fetch up to £80,000.

Writing to his father in July 1788, Waterhouse tells of further dangers from the natives. "Two convicts that were [sic] just recovering from a fit of sickness went into the woods to pick some herbs for tea. The next day one of them return'd wounded in the back with a lance by the Natives, part of which was sticking from his back. He said the Natives had wounded and beat and carried away his companion. We cannot conceive any reason why they should carry him away if dead unless it is to honour him with their funeral ceremonies."

# Scientist accuses cattle farmers of BSE cover-up

FARMERS were accused yesterday of killing and burying sick cattle on their farms to avoid having to report them as suspect cases of "mad cow" disease.

Richard Lacey, the professor of Microbiology at Leeds University, told the public inquiry into BSE that he did not accept government figures showing a sharp decline in the number of infected cattle. Professor Lacey, a longstanding critic of official policy, said government scientists had underestimated the transmission of the disease from cow to calf and had relied too heavily on the hypothesis that contaminated feed was the main source of infection.

He said he expected cases of human BSE, or new variant Creutzfeldt-Jakob disease (nvCJD), to rise in the next century, and it was likely that the human infection could also be passed from mothers to offspring. "It seems likely that intraspecies transfer will occur through, for example, blood materials and surgery," he added.

Professor Lacey was asked about his comment to a Commons Agricultural Select Committee in 1990 that "if our worst fears are realised, we could virtually lose a generation of people". He replied that since then it had been discovered that 30 per cent of people probably had genetic resistance to infection. But he still believed there was "a potential

**Expert says he cannot accept figures showing fall in disease, writes Michael Hornsby**

for a substantial proportion of the population to go down with nvCJD". Professor Lacey said the committee had ignored written evidence in which he had pointed out the possibility that people might not be vulnerable to infection. He suggested that the committee had focused "on what might seem an exaggerated claim" in order to discredit him. Professor Lacey said he had been told by knackermen and renderers that "because the value of carcasses is now negative, the animals are being buried on a massive scale in farm burials". There was "tremendous pressure" on the farmers to reduce BSE numbers so they could claim disease-free status for their herds, he said. There have been about 171,000 cases of BSE reported since the first infected animal was diagnosed in 1986, according to government statis-

tics, there has been a sharp decline since 1993, pointing towards the virtual disappearance of the disease early in the next century. Roy Anderson of Oxford University's zoology department told the inquiry on Monday that the BSE epidemic was likely to have dwindled to only a handful of new cases by 2001. He also said that transmission of the disease from cow to calf was not taking place often enough to prolong the epidemic. Professor Lacey complained yesterday that Professor Anderson's group of researchers at Oxford had been given privileged access to government data, and said he would like to be able to examine the information for himself. The National Farmers Union dismissed Professor Lacey's claims as absolute rubbish. Ian Gardiner, its policy director, said: "It is very odd to suggest that farmers are burying animals, for which they would get no money, to avoid declaring them as BSE suspects, for which they would be fully compensated." The NFU said farmers were burying more casually animals — those that become injured and have to be put down — because knackermen would no longer take these carcasses. This was because the remains could no longer be sold as meat and bone meal, a consequence of BSE.



Richard Lacey, who told the BSE inquiry yesterday that farmers had been killing sick cattle and burying them

# Thorny questions often bore fruit

RICHARD LACEY'S claim that BSE will persist for much longer than the Ministry of Agriculture believes cannot easily be challenged. Vertical transmission of the disease — from cow to calf — has been shown to take place, although its extent remains in doubt because a ministry experiment produced ambiguous answers. The experiment sought to compare the calves of cows that had not suffered from BSE with those of cows that did. To make the results conclusive, it was vital to ensure that the calves had no other chance of catching the disease from, say, infected feed. This was not done. But the results did suggest some vertical transmission. Experience with scrapie, the related disease in sheep, points in the same

direction. It has proved impossible to eliminate scrapie from British farms. This may be a consequence of vertical transmission or of long-lived contamination of pastures, or both. If this also proves to be the case with cattle, it is possible that BSE will linger on at a low level for many years, although most experts believe not. The consensus is that the low levels of maternal transmission indicated by the ministry experiments will not unduly prolong the BSE epidemic. As for maternal transmission of new variant CJD, the human form of the disease, Professor Lacey's fears are based on data from Japan, published in the *New England Journal of Medicine*. A woman was diagnosed as having the classical form of CJD while pregnant.

After she gave birth, Japanese scientists showed in experiments with mice that the agent of CJD was present in her placenta and colostrum. This suggests a danger that women who become pregnant during the development of nvCJD may be able to pass it on to their children. This may be much easier than cow-to-human transmission because there is no species barrier. How serious this may prove is entirely conjectural at present. Professor Lacey has a talent for asking awkward questions and painting the gloomiest possible picture, but he has not invariably been wrong. Most importantly, he insisted that there were dangers of BSE being transmitted to humans when ministry advisers said that this was impossible, or extremely unlikely.

# Driver was 8 times over limit as he left detox clinic

**BY HELEN JOHNSTONE**  
A MAN who is believed to have set a record for drink-driving after being caught almost eight times over the legal limit told police he had just left a detoxification clinic and had had nothing to drink. Matthew Roman, 23, who had 276mg of alcohol in 100ml of breath, was yesterday jailed for four months and banned from driving for five years. The legal limit is 35. Rebecca Rees, of the Automobile Association, said: "Medical evidence suggests he should be dead. If the level reaches 500mg of alcohol per 100ml of blood one would expect the person to be in a coma. This man's level was 640. It is certainly the highest reading we have heard of." Roman, an electrician, of Horsham, West Sussex, was breathalysed by police after pulling up on the drive of his home in his van on February 17. 'Suvi' Wheeler, for the prosecution, said that one of the officers noticed his breath smelled strongly of alcohol and could see a bottle of sherry in the passenger footwell. She told Horsham magistrates: "Asked how much he had drunk he replied, 'Nothing, I have just got back from a detox clinic.'" Andrew Delo, for Roman, said that he had a longstanding drink problem and an extremely high tolerance to alcohol. Roman had not drunk anything when he was stopped — just after lunchtime — up to eight pints of sherry and two or three cans of strong lager in the two days before hand. He had just attended a voluntary alcohol misuse clinic and the bottle found in his van was unopened. Mr Delo added that there had been no accident or reports of serious erratic driving. Roman, of previous good character, who had lost his job after his first court appearance, had been due to go into a hospital detoxification unit for ten days. Funding was also said to be in place for him to undergo a three-month course at a rehabilitation clinic. However, Helen Skip, the magistrate, said that the high reading made the offence so serious that only a prison sentence was appropriate.

# GP who won harassing case is left penniless

**BY PETER FOSTER**  
A DOCTOR falsely accused of sexually harassing a woman colleague has been left penniless despite winning a nine-year struggle to clear his name. The pyrrhic victory has cost Malcolm Smith, 42, his health, his house and his life savings. To make matters worse, Dr Smith was yesterday ordered by the Court of Appeal to pay £67,000 towards a £280,000 bill from his former solicitors. After the case Dr Smith, a bachelor who now lives with his father in Chesterfield, said he felt like the unluckiest man alive. "All I wanted to do was clear my name but it has taken nine years of my life and left me financially ruined. I have only survived because I know I am in the right."

Dr Smith's problems began in 1989 when his partner at his surgery in Northampton accused him of sexually harassing her. Alanah Houston claimed he had fondled and touched her and other female staff. Dr Smith denied the allegations and sued Dr Houston for slander in 1991. The jury unanimously rejected her allegations, and he was awarded £150,000 in damages. However, the sizeable award was no help to Dr Smith: after his accuser went bankrupt. She also had the award cut to £50,000 by the Court of Appeal in 1993. Today Dr Smith is ill and penniless while Dr Houston is working as a police surgeon. Yesterday Dr Smith went to the Court of Appeal to try to cut an outstanding bill for £186,000 from his former solicitors, Thomas Watts of Kensington, London. Dr Smith, who has already paid £95,000, was counterclaiming for al-

leged negligence against his solicitor, for not trying to overturn Dr Houston's bankruptcy and for not providing an estimate of how much the case might cost. Sir Richard Scott, Vice-Chancellor, sitting with Lord Justice Schiemann, expressed his "considerable sympathy" for Dr Smith but he found that there was no substance to the allegations. Even though Dr Smith won his case, the "horrendous" legal fees could not be laid at the door of any particular solicitor. "It is the system, and not many without the backbone of Dr Smith are willing to chance their arm and their family fortune in litigation." The court was told that after Dr Houston went into voluntary bankruptcy her assets realised £146,000. But with the legal costs of the bankruptcy amounting to £138,000, only £8,000 remained for creditors. Of this, £6,000 went to Dr Smith and was instantly swallowed up by his Medical Defence Union and solicitor's bills. After the case Dr Smith said: "If I had known how much it was going to cost me I would never have bothered. I have lost my house in Northampton, now the surgery has been sold and the proceeds will go to pay off these legal bills." He added: "The incredible thing is that Dr Houston is still working as a police surgeon and giving lectures."



Malcolm Smith, who yesterday lost an appeal on costs stemming from the claims of Alanah Houston, right

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# Indian waiter made it too hot for thug

**BY SIMON DE BRUXELLES**  
A WAITER from an Indian restaurant felled a street attacker by throwing curry powder in his face. The concoction of chillies left the temporarily blinded assailant in such pain that he gave himself up to police and begged to be taken to hospital. The waiter, Bodar Uddin, 25, was sitting in his car with two friends outside a nightclub in Tenby, West Wales, when Christopher Astley, 19, began hurling racist abuse. He told the waiters that he had a baseball bat in the boot of his car and shouted: "Come on, Pakis, fight us tonight." When they ignored him, he

smashed the driver's window with his fist and tried to drag Mr Uddin out, badly cutting his neck. Swansea Crown Court was told. The waiter, who works at the Bay of Bengal restaurant in Tenby, grabbed the only weapon to hand: a packet of extra hot vindaloo curry powder in box of kitchen supplies. The trainer seaman fled with tears streaming down his face. Patrick Griffiths, for the prosecution, said: "By the time he arrived at the police station, he was shouting that he was blind. He was taken to Tenby Cottage Hospital, where doctors washed out his eyes. Police then arrested him." Astley told police that he had drunk eight pints

of lager and was sorry for what he had done. Francis Jones, representing him, said he mistakenly thought the people in the car had been involved in an attack on him: two nights earlier, Judge Gaskell told Astley: "This was disgraceful behaviour. You abused them with racist language and then attacked Mr Uddin. You behaved like a drunken lout." Astley, of Tenby, admitted affray. He was fined £1,250 and ordered to pay Mr Uddin £250 compensation plus £74 to repair his car, and £300 prosecution costs. The waiter needed stitches to the cut in his neck. A colleague said: "It was a terrifying experience for him."

# Abbey launches crowd controls to restore peace

AN INCREASE in tourist traffic at Westminster Abbey since the funeral of Diana, Princess of Wales, has forced the introduction of crowd controls.

The Dean and Chapter deemed the move necessary because, at peak times, more than 17,000 visitors attempt to cram into what has become one of the country's top five tourist attractions. The resulting crush has been described as "bedlam" and "worse than the M25 at rush hour".

Entry charges of £5 a time were introduced last week in an attempt to control the influx of visitors. Up to three million people visit the abbey each year, and the number is expected to reach record levels this summer.

Security cameras have been installed to monitor logjams, such as at the tombs of kings and queens, and chairs have been removed from the nave to restore a sense of space.

Although some visitors come to pray, and are allowed free admission if this is the case, most are on sightseeing tours, as indicated by the queries most often put to abbey tour guides. The most frequently asked question is: "Where is the piano that Elton John played at the Princess's funeral?" This has pushed inquiries about the Coronation Chair of Edward I, which until recently housed the Stone of Scone, into second place.

The Very Rev Wesley Carr, the Dean, said: "The calming

## Funeral of the Princess

has led to a big increase in visitors, writes Ruth Gledhill

process has been put in place and we have been running it for five days. Especially since the funeral of Diana, Princess of Wales, we have had large numbers of tourists in what is essentially quite a small space."

He said it had been impossible to walk from one side of the abbey to the other. There were times, he said, when he could only have reached his office after entering by the North Door by walking over the heads of the tourists blocking the nave.

Although charges were made previously for entry to the royal chapels, the nave was free. This meant the cathedral was used as a "waiting room" by tourists on their way to the Eurostar terminal, Victoria or the Houses of Parliament nearby.

"We did not feel that being used as a waiting room was good news," Dr Carr said. "The Abbey had become cluttered, and with so many

people in such a small space, visiting it was a terrible experience. Particularly in the mornings, it was bedlam. Sometimes we had to close the doors because there were too many people inside for safety."

"We were very aware that people did not feel a strong sense of the spiritual on visiting the Abbey. So we have decided to make the nave a quiet area. Those visitors who want to pray and meditate are no longer shunted off into some side chapel."

"And we have cut our groups in half, to 26, which is half a bus load. We have removed the chaos. And already we are finding that visitors whisper to each other, instead of shouting. The guides talk quietly rather than barking at their people."

Before charges were introduced for the entire building, ticket sales for the royal tombs and chapels brought in £2.4 million a year.



Alfred Fisher with a section of his tribute to Thomas the Tank Engine and its creator, the Rev W. Awdry

## Last wish of Thomas's author fulfilled

By DALYA ALBERGE

THERE is a new station in life for Thomas the Tank Engine. The steam engine from stories by the Rev W. Awdry is appearing in a stained-glass window, fulfilling one of his creator's last wishes.

Awdry commissioned the window for his local parish church at Rodborough, near Stroud in Gloucestershire, but died in March 1997, aged 88, before it was completed. The design, which will be unveiled on Saturday, was produced by Alfred Fisher, whose work is represented in numerous cathedrals, including Westminster Abbey and Winchester.

Like Awdry, he is a steam-train enthusiast: he owns an 1877 locomotive and chairs the Leighton Buzzard railway. Mr Fisher met Awdry a couple of times because of their shared passion for trains. The design shows the engines Thomas and Gordon, and Awdry reading the first stories to his children.



Up to 17,000 cram into Westminster Abbey at peak times

## Man 'paid to start fire' died in flames

By A CORRESPONDENT

A FORMER tenant hired to start a house fire so that the landlord could collect £200,000 insurance money died in the flames, a court was told yesterday.

The victim's girlfriend arrived at the blazing £185,000 semi-detached building to meet him. She was told by the owner, Malcolm Ryan, 59, that a body had been taken out by firefighters. Minshull Street Crown Court, Manchester, was told.

"Malcolm Ryan was callous in the extreme," John Broadley, for the prosecution, said. "He knew full well what happened and indeed he was smirking, if not making the odd joke."

Steven McDonagh, 25, often did odd jobs at the house and looked on Ryan as a father figure. He choked to death on smoke and hot gases after being trapped in a back bedroom when petrol he ignited flared and blew out windows.

He had been planning to go to Dublin that night with Nicola Kershaw, his girlfriend. Five hundred pounds was discovered in his car near the house in Stretford, Greater Manchester.

Mr Broadley said that when Miss Kershaw told Mr Ryan that she knew why Mr McDonagh had been in the house, the landlord offered her £5,000 for her silence. She refused and went to the police.

Mr Ryan, of Stretford, denies conspiracy to commit arson with intent to endanger life, plotting arson, being reckless as to whether life would be endangered, conspiring to obtain money by deception and perverting the course of justice. The case continues.

## Number of mortgages to women doubles

By EMMA WELKINS

MORE women are taking out mortgages on their own, according to a survey published yesterday. Most mortgages are held in joint names, but 17 per cent of mortgages taken out last year were held solely by women.

The figure has more than doubled from 8 per cent in 1983, the Barclays Bank report says. Its author, Deborah Ryan, tutor in popular culture for the Open University, said that single women with full-time careers were now the fastest growing group of homeowners in Britain.

About 33 per cent of households will be single-person by 2016, compared with 18 per cent in 1971 and 27 per cent in 1991, the report forecasts. The number of households headed by divorced women is predicted to rise to 14 per cent by 2020, double that in 1992.

Ms Ryan said: "The rate at which women are entering the workforce is expected to rise even further; a trend most noticeable among 25 to 43-year-olds who make up the most active 'homebuying group'."

Women are beginning to earn more than their male partners, according to the report, which says one in five of Britain's principal breadwinners are women. "Among younger couples there is an increasing number of women earning more than their male partners," Ms Ryan said.

However, as women's economic power has advanced, they find they need about three times the average salary of £20,000 to finance a house at the current average price of £70,000. In the past the figure was twice annual income.



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# The book that shows Dickens to the letter

**Dalya Alberge examines detailed correspondence from the novelist being published for the first time**

MORE than 430 letters written by Charles Dickens in the early 1860s are to be published for the first time. The correspondence that ranges from weighty social issues such as slavery and the American Civil War, to the trivial, such as his problem with unwieldy shirt-buttons.

They exude a sardonic wit, elegance and rhythm worthy of his genius, to excite readers who crave anything new by the nation's greatest novelist. In one letter, he damns Prince Albert as "good example of the best sort of perfectly commonplace man with a considerable desire to make money". In another, he conveys the exhaustion after a night of travelling by saying how "I write with one eye open (but its sense is shut), and the other wandering but fixed".

Most of the correspondence — in his typically clear hand, with few crossings-out — has come from private and public collections in Britain and in America, which Dickens visited in 1842 and 1867 to give readings. They have been collated and meticulously researched by Graham Storey and Kathleen Tilston, assisted by Margaret Brown, for Oxford University Press, the tenth of a 12-volume project that began in 1965 and which will eventually feature more than 14,000 letters.

Volume ten, to be published in April, includes 918 letters written from 1862 to 1864, when Dickens would have been preparing *Our Mutual Friend*. It bore illustrations by Marcus Stone, son of Dickens's friend Frank Stone, the painter. Dr Storey said: "Of considerable interest are 12 new letters to the young Marcus Stone, who had replaced H. K. Browne, with whom Dickens had quarrelled as illustrator of this novel. There are numerous, detailed discussions that show the tremendous care that Dickens took over the illustrations."

Dozens of letters were written to his friend 'Wilkie Collins, the novelist who looked to Dickens for inspiration. Dickens advises him on his 1862 novel, *No Name*: "I have read the story as far as you have written it, with strong interest and great admiration... I find in the book every quality that made the success of the *Woman in White*... I have no doubt whatever of the public reception of what I have read. I could not be more so than I am." He recommends giving one of the characters "some touches of comicality" and says that he would have "generally lighted up the house with some such capital touches of whimsicality".

Dr Storey noted how, after Thackeray's death in 1863, Dickens wrote a warm-hearted tribute in *Cornhill Magazine*. Privately, Dickens wrote to Collins and said he had tried "to avoid the fulsome and injudicious trash that has been written about him in the papers. The scribes particularly dwelling on his having been a gentleman, 'a great gentleman', and the like — as if the rest of us were of theinker tribe".

Dickens, however, might have been perplexed by the publication: in 1860, he made a bonfire and burnt hundreds of letters, saying "would to God every letter I had ever written was on that pile".

Letters of Charles Dickens, Volume 10, published by OUP, The British Academy/Pilgrim Edition, price £70

## Genius reduced to fury by a button

EXTENSIVE letters to a Swiss friend reiterate Dickens's objections to the American Civil War. "I take the American to stand thus: Slavery has in reality nothing on earth to do with it... Every reasonable creature may know, if willing, that the North hates the Negro, and that until it was convenient to make a pretence that sympathy with him was the cause of the War, it hated the abolitionists and decided them up hill and down dale. For the rest, there is not a pin to choose between the two parties. They will both rant and lie and fight until they come to a compromise, and the slave may be thrown into that compromise or thrown out of it." Dickens believed that the war was about tax.

□ In a paragraph on a shirt button, he tells the frustration of how "it takes ten minutes of fretting and fuming and chafing with one's nerves shaken by last night's work, to get a collar on it but... because of the screwing and twisting, flies off after all... This very day, I went through this process three times."

□ A large number of letters is addressed to Georgina Hogarth, his sister-in-law, to whom he remained extremely close despite the earlier divorce of his wife. In one 1862 letter, he displays his cutting wit: "I saw Quin [a London doctor] at Turquin — looking brown and well... he had the most disagreeable-looking woman with him I ever saw in my life. I was afraid it his wife."



At Dickens's house in central London: he wrote in a clear hand, with few crossings-out

## Teenagers diet to copy musclemen or models

**BY DAVID CHARTER, EDUCATION CORRESPONDENT**

TEENAGE boys are becoming more obsessed with their body image and are trying to put on weight to match the musclemen they see in magazines, researchers say.

Boys eat more proteins such as meat and eggs as they get older, says the Schools Health Education Unit. Its survey of 30,000 nine to 16-year-olds showed that girls' obsession with weight was also rising, with only a third of 15-year-old girls happy with their build.

Six per cent wanted to gain weight but 60 per cent wanted to lose some, up from the 53 per cent in a similar survey in 1991. One in five girls skipped breakfast and almost one in seven missed lunch. An analysis of the girls' weights suggested that only 15 per cent were overweight against national norms.

David Regis, a researcher for the Exeter-based unit, said: "Youngsters are often highly articulate in their criticism of images in the media, and yet they still clearly feel the pressure. They seem to be a bit snookered, despite their awareness of the hype."

"There are enormous numbers of girls who are well outside any criteria for overweight but are uncomfortable with their bodies, which I think is a tragedy."

While 58 per cent of 15-year-old boys were satisfied with their weight, 15 per cent wanted to put some on and 27 per cent lose some. This compared with 62 per cent of boys who were happy with their weight in 1991.

However, girls' obsession with their bodies has led them to eat healthier foods, the survey, commissioned for the BBC's *Food & Drink* programme, found.

Twice as many 15-year-old boys as girls regularly ate beefburgers, sausages, meat pasties and pies. Ordinary white bread remained the most popular with all 15-year-olds, regularly eaten by nearly two-thirds, but there was a growing demand for high-fibre white bread.

Pupils who took packed lunches to school were found to be the healthiest eaters, compared with those who ate canteen meals or went home. Mr Regis said the perfect packed lunch would comprise dried apricots, ham or cheese salad sandwich, a cereal bar, fruit juice, fresh fruit and yoghurt.

The British Dietetic Association said the survey raised serious concerns about the health of teenagers, especially the young females. Although only 1 to 2 per cent of girls developed severe eating disorders such as bulimia and anorexia, "there is a bigger group of girls who may nevertheless be putting their health at risk by skipping meals", Lyndel Costain, a spokeswoman, said.

"Girls of 14 and 15 are still growing and need things such as iron and calcium to ensure that they grow up healthy. Girls who miss meals may not develop anorexia, but they may nevertheless be doing themselves psychological or physical harm."

## Wreck of Cornish trawler is found

The wreck of a Cornish trawler in which four men died when she sank in stormy seas last November has been found on the seabed off the French coast. The Royal Navy confirmed that the wreck was the *Margaretha Maria*, from Newlyn, after sending an unmanned submersible to inspect. The body of the skipper, Robbie Holmes, 43, was retrieved recently.

## Singer remanded

Mark Morrison, the singer, was remanded in custody at Marylebone Magistrates' Court after denying possessing an offensive weapon. He had been arrested on return from Barbados, after failing to attend a January hearing.

## Breath-test death

A 52-year-old Plymouth motorist collapsed and died as he was giving a breathalyser test in a police car. Police said that David Rollason is thought to have had a heart attack. A police inquiry will be held into the incident.

## Bomb in class

A mortar found by a 13-year-old boy on Dartmoor and taken to his art class to draw was found to be live. Classrooms were cleared at John Kito Community College, Plymouth, as a teacher called the bomb squad.

## Prince's case ends

The £180 million High Court cross-claims between Prince Jefri of Brunei and Bob and Rafi Manoukian, his former emissaries, were formally ended when the action was stayed on agreed terms in a five-minute closed hearing.

## Twice unlucky

A woman treated by a passing doctor after a car crash in 1995 has met her again after the doctor crashed through her house. Judy Thompson, of Southill, returned the favour, giving Stella Isaac first aid and calling an ambulance.

## Man told he was too fat to adopt is to become father

**BY A CORRESPONDENT**

A MAN who was told he was too fat to adopt a baby was celebrating yesterday after finding out that his wife was pregnant.

Stuart Meadwell, 32, who weighs 26 stone, and his wife Julie, 33, had given up hope of having a child of their own after trying for ten years. They decided that their only option was to adopt but agencies told them that Mr Meadwell's weight made him a health risk and could expose a child to trauma if the parent became ill or died young.

The couple, from Great Yarmouth, Norfolk, were first turned down for adoption in 1994. They tried again in response to publicity during National Adoption Week last year, but were again rejected by Norfolk County Council and an overseas adoption agency also turned them down.

Another British agency told Mr Meadwell he would be considered if he slimmed to below 20 stone.

Mr Meadwell said: "What can't I do for a child that someone who weighs 13 stone can't I can pick up a child and play football with no problems."

It was found that there was no medical reason why the Meadwells should not conceive naturally. Four months after giving up trying to adopt, Mrs Meadwell became pregnant. "We are both overjoyed," Mr Meadwell said.

Stuart and Julie Meadwell, who were rejected five times



Stuart and Julie Meadwell, who were rejected five times

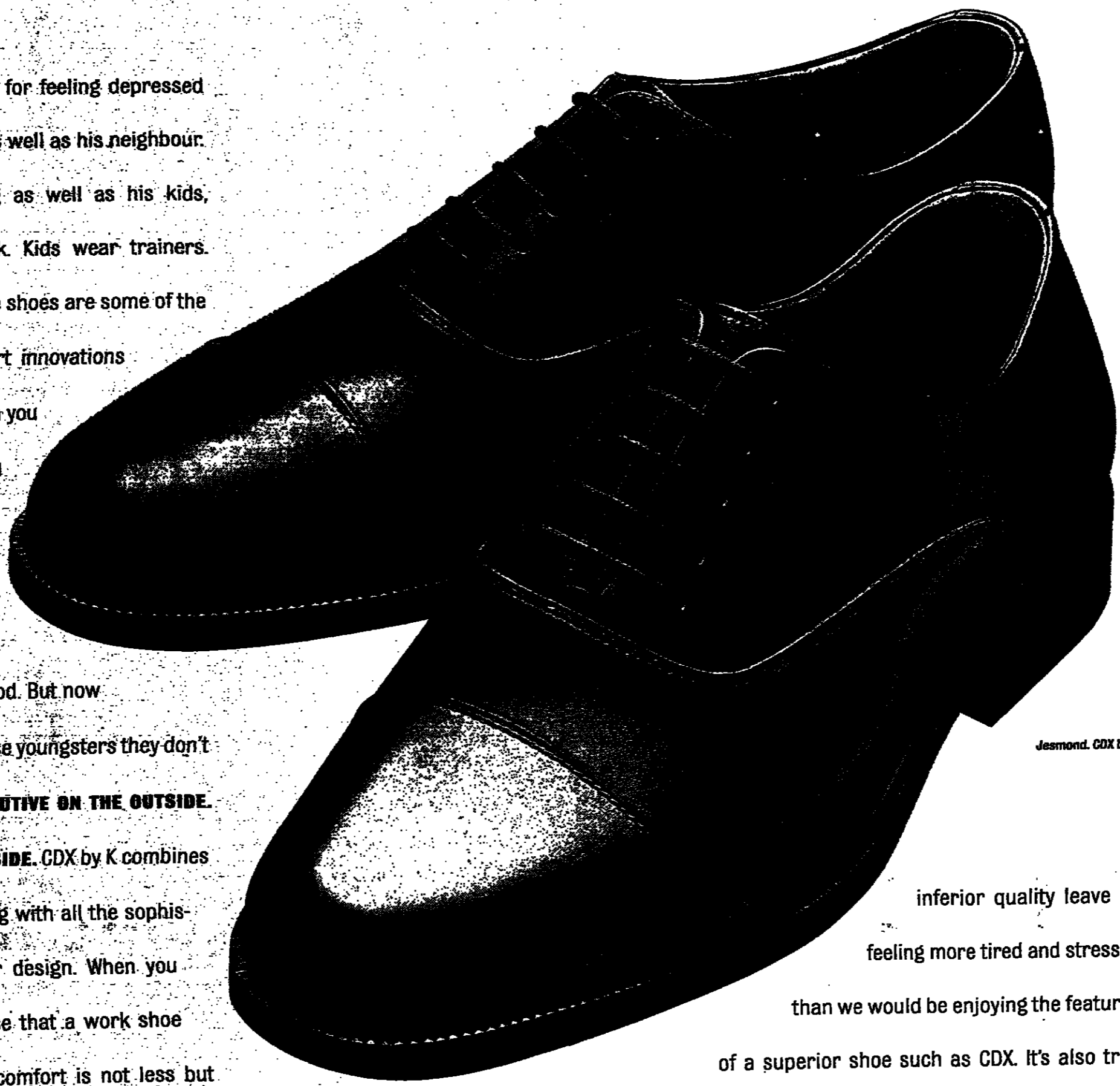
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Stuart and Julie Meadwell, who were rejected five times

مخمس النحل

# Going out to work a poorer man than your kids?

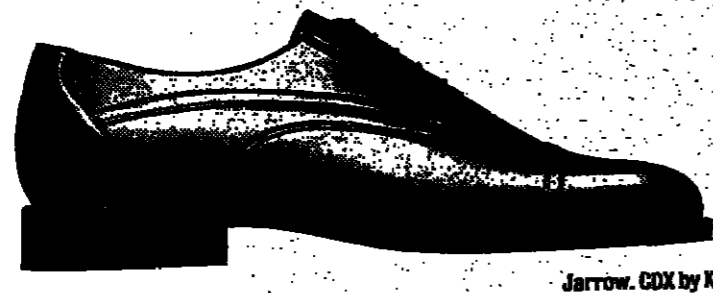
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inferior quality leave us feeling more tired and stressed than we would be enjoying the features of a superior shoe such as CDX. It's also true that by opting for higher quality, we are likely to own shoes which last longer. By now, having read this far, you'll be expecting the catch. Surely, classic styling combined with the ultimate in design comfort is expensive. Then let us pleasantly surprise you — Or look at it another way. You spend all that money on your kids, isn't it time you spent a little on yourself? Call into your nearest K Shoe Shop, Clarks Shop or selected K stockist to try on a pair today.

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# Cook riles critics on all sides with settlement visit

FROM CHRISTOPHER WALKER IN JERUSALEM AND MICHAEL BINYON IN GAZA CITY

ROBIN COOK, the Foreign Secretary, was jostled and pushed yesterday when he had to force his way through jeering demonstrators attempting to disrupt his visit to the Jewish settlement of Har Homa.

Battling through right-wing Jewish groups screaming "anti-Semite, go home" and "Robin Cook, go to Ireland", Mr Cook, almost hidden behind a barrier of Israeli police and security guards, barely had five minutes to look at the rain-soaked hilltop where the new settlement is to be built. He was the focus of two bitter demonstrations, with Palestinians also waving the flag of Palestine and shouting: "We want freedom." His brief stop underlined the huge gulf separating the European stance and the determination of Benjamin Netanyahu's Government to go ahead with

Jewish control of the strip separating Jerusalem from the rest of the West Bank.

Mr Cook looked shaken as security officials pushed aside demonstrators, who almost prevented his car from leaving the site. Mr Cook said afterwards that he was struck by the noisy atmosphere. He said the Palestinians who met him there were delighted that he had gone ahead with the visit.

The Foreign Secretary later had talks with Faisal al-Husseini, a veteran Palestinian official responsible for Jerusalem. He had originally intended to meet Mr Cook at the settlement site, but instead spoke to him at the Palestinian al-Quds University in Jerusalem.

Mr Cook's first visit to Israel as Foreign Secretary left both Arabs and Jews fuming over his compromise plan to visit the settlement, and the US

State Department negative about his chances of helping the peace process. A senior Israeli official said: "Mr Cook seems to have done the impossible — he has upset in almost equal measure the Israelis, the Palestinians, the Jordanians and even managed to disaffect the Americans."

Danru Naveh, the Israeli Cabinet Secretary, who was selected to accompany Mr Cook, said that no good could come of his first foray into Middle East peacemaking unless Britain and the European Union, of which it is president, dropped what he called their pro-Palestinian bias. "It seems now that this visit will end as if it never happened," Mr Naveh told Israeli Army Radio.

The compromise visit, as well as failing to reconcile Israel to a new EU Middle East peacemaking role, also angered Mr al-Husseini, who



Robin Cook, his hair plastered by pouring rain, is surrounded by Israeli police as right-wing protesters disrupt his visit to Har Homa

was unacceptable to the Palestinians. "Were he to go there alone, it would not be a problem," he said. "But a visit accompanied by Israeli officials is not acceptable." Yasser Arafat, the Palestinian leader, took a more positive view of the visit. He welcomed Mr Cook's stance against Israeli settlements and said that

European pressure on Israel was clear to everyone. Nabil Shaath, a leading Palestinian official, said: "It is a brave act of defiance to the Israeli settlement activities."

Mr Cook denied that he had given in to Israeli pressure and announced two initiatives intended to breathe new life into the peace process: an agreement between the EU and the Palestinian Authority to set up a security committee boosted by a £5 million grant; and an extension of European financial support to the Palestinian Authority beyond the end of this year.

James Rubin, a State Department spokesman, suggested in Washington that Mr Cook was doing little to bolster US efforts to restart the peace process, deadlocked since bulldozing began at Har Homa on March 18, 1997.

Before leaving Jordan, Mr Cook was forced to reassure Crown Prince Hassan that his plans to visit Har Homa with Israeli officials did not represent British recognition of Israeli sovereignty over the site, won from Jordan in the 1967 war.

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A hardliner, with the National Bolshevik flag in the background, joins about 80 demonstrators at the Latvian Embassy in Moscow yesterday to protest against a march by SS veterans on Monday in Riga and a police crackdown on ethnic Russian pensioners

## Sick Yeltsin forced to postpone summit

FROM ROBIN LODGE IN MOSCOW

FRESH concerns were raised yesterday about the health of President Yeltsin, when it was announced that this week's planned Moscow summit of the Confederation of Independent States, the loose grouping of former Soviet republics, was being postponed because of his latest illness.

Mr Yeltsin was taken ill with an acute respiratory infection on Friday, when he cancelled all engagements and withdrew to his country residence at Gorky 9.

Officials at first claimed that the infection was little more than a cold, the President, they said, was suffering from a sore throat and had been put on a course of antibiotics. Later they conceded that it was an acute infection of the larynx and trachea — potentially serious for a man of 67 with heart trouble.

Weekend reports suggested that Mr Yeltsin was feeling much better. On Sunday he entertained Mikhail Rostropovich, the cellist and a close friend, for dinner. Afterwards Mr Rostropovich said he had no concerns about Mr Yeltsin's condition. There was

no suggestion that he would not be back at work in time for the summit tomorrow.

Yesterday, however, the presidential press service said that doctors treating Mr Yeltsin at Gorky 9, west of Moscow, had recommended that he remain in bed to reduce the risk of the infection developing into bronchitis. The summit is now expected to take place on April 23.

While there has been no suggestion that Mr Yeltsin's condition is life-threatening, his latest indisposition underlines the impression that he has remained frail and vulnerable to infections since undergoing heart bypass surgery in November 1996. Only a week ago Mr Yeltsin told journalists he had passed a medical examination with flying colours and said his health was no longer an issue. Clearly this is not the case.

Mr Yeltsin's current term runs until July 2000. His next big engagement is on March 26, when he is due to meet President Chirac of France and Helmut Kohl, the German Chancellor, in the Urals city of Yekaterinburg.

## Teenage killer faces only two years in jail

FROM BEN MACINTYRE IN PARIS

A FRENCH juvenile court has jailed a Russian teenager for eight years for the 1995 murders of six people, four of them family members. The reduced sentence reflects lingering suspicions that the killings might have been the work of the Russian mafia, according to defence lawyers.

fessed to the crimes, but later claimed the murders were the work of a masked gangster.

Prosecutors had called for a sentence of between 18 and 20 years in prison, but after lengthy deliberations at the weekend the court handed down a reduced eight-year sentence, less time already served. With good behaviour Aleks, 16 at the time of the murders, was found guilty of shooting his father, stepmother, grandparents and two family friends in February 1995. He initially con-

Lawyers and media condemned the verdict as an unacceptable compromise.

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# THE TIMES BUDGET 98

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**INSIDE**

**ANNE ASHWORTH**  
On the changes to tax and savings  
PAGE 10



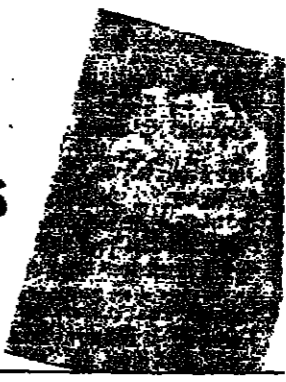
**SAVINGS FOR ALL**  
ISA makes her debut  
PAGE 14



**MATTHEW PARRIS**  
watches the Chancellor  
PAGE 20



**RED BOOK EXTRACTS**  
Details of the Brown package  
Section 2, P30



WEDNESDAY MARCH 18 1998

## It all adds up: everyone's a winner



ANATOLE KALETSKY

**COMMENT**  
IF IT all seems too good to be true, it is — and it isn't. This statement is not supposed to be just the typical two-handed economist's cop-out. It is quite possible to draw clear conclusions about this Budget, but they are all full of paradoxes. From Gordon Brown's point of view, there are two main conclusions and both of them seem valid.

First, this Budget will probably prove popular with voters and specifically with the Chancellor's target constituencies: families with children; workers on relatively low earnings and small businesses and entrepreneurs. Secondly, yesterday's package, the first full-scale Budget to be delivered for 20 years by a Labour Chancellor, was intended to redefine the ideological distinction between the two main political parties. Mr. Brown wanted to show that his party remained committed to relieving poverty, but he was determined to show that new Labour could do this in a "modern" way. In this respect, too, the Budget is likely to have some success.

Indeed, in the broad sweep of some of its measures yesterday's speech may be remembered as one of the milestones in British post-war politics.

Neither of the two most important measures in this Budget would have been conceivable under a Tory Government. The first was the introduction of a new system of tax credits, which will guarantee every working family a weekly income of at least £180 and is also supposed to ensure that every family is better off with work than without it.

The second, less visible but equally radical reform, was a huge shift in National Insurance contributions from the poor to the rich, a shift in the tax burden worth around £5 billion a year on Treasury calculations.

But generous as this Budget was to traditional Labour constituencies, it also contained a slew of surprising concessions for businesses. Who would have believed that a Labour Government would offer British companies the lowest rate of corporation tax in any industrialised country and would also give the big by virtually exempting small businesses from capital gains tax? Who would have said that a Labour Government would leave intact the Tories' extremely generous inheritance tax regime, confining itself to only the smallest of gestures against "excessive" wealth, the increase in stamp duty on houses worth more than £250,000? Even the middle classes, who had treated themselves for the loss of mortgage tax relief, the taxation of child benefits and ever-bigger hits from petrol taxes and company car taxes, escaped almost completely unscathed. How, then, did the Chancellor produce so many winners, without creating any obvious victims? Surely there must have been some sleight of hand, some nasty invisible tax that will emerge only later and make a mockery of the upbeat headlines that are bound to greet Mr Brown this morning?

The good news is that the figures do seem to add up. There seem to be no secret tax hikes or public spending cuts: the extra money available to the Chancellor yesterday all came from strong revenue growth and tight control of public spending. Even the £5 billion shift in National Insurance payments is not a tax increase. The higher employment tax will undoubtedly hurt some companies, such as banks (and newspapers) with predominantly high-salary employees; but the benefit will go to businesses, such as retailers, employing low-paid workers, not to the Treasury. In terms of pure Budget arithmetic, therefore, Mr Brown's package really is as good as it looks.

Now for the bad news. The Treasury's plans depend entirely on the very benign economic conditions that Labour inherited from the Tories. Mr Brown's Budget arithmetic has also benefited enormously from the very aggressive tax increases built into Britain's long-term fiscal guidelines by Kenneth Clarke and Norman Lamont. If the economy suffers more than the very modest slowdown expected by the Treasury, then Mr Brown's promises of new jobs instead of dole queues will come to naught. Ultimately the rate of job creation depends not on the tax system but on the rate of economic growth. Worse still, the Budget arithmetic will be completely blown off course if the economy moves into recession. Fortunately for Mr Brown, a recession in the next few years does not look at all likely. There is, however, a significant risk — and this Budget has arguably made that risk worse. The dramatic strengthening of the pound that followed Labour's decision to give independence to the Bank of England is likely to be exacerbated, ironically, by the increase in business and consumer confidence resulting from this Budget.

There are times when business confidence and political finesse can prove too much of a good thing: the last paradox of this paradoxical Budget.



No box of tricks: Gordon Brown leaving Downing Street yesterday for the House of Commons, where he delivered a Budget that could prove to be one of the milestones of post-war politics

industrialised country and would also give the big by virtually exempting small businesses from capital gains tax? Who would have said that a Labour Government would leave intact the Tories' extremely generous inheritance tax regime, confining itself to only the smallest of gestures against "excessive" wealth, the increase in stamp duty on houses worth more than £250,000? Even the middle classes, who had treated themselves for the loss of mortgage tax relief, the taxation of child benefits and ever-bigger hits from petrol taxes and company car taxes, escaped almost completely unscathed. How, then, did the Chancellor produce so many winners, without creating any obvious victims? Surely there must have been some sleight of hand, some nasty invisible tax that will emerge only later and make a mockery of the upbeat headlines that are bound to greet Mr Brown this morning?

The good news is that the figures do seem to add up. There seem to be no secret tax hikes or public spending cuts: the extra money available to the Chancellor yesterday all came from strong revenue growth and tight control of public spending. Even the £5 billion shift in National Insurance payments is not a tax increase. The higher employment tax will undoubtedly hurt some companies, such as banks (and newspapers) with predominantly high-salary employees; but the benefit will go to businesses, such as retailers, employing low-paid workers, not to the Treasury. In terms of pure Budget arithmetic, therefore, Mr Brown's package really is as good as it looks.

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### Serps set to suffer through cut in NI

By RICHARD MILES

#### PENSIONS

THE value of the state pension will fall as a result of the Chancellor's decision to reduce the amount of national insurance deducted from pay packets. Gordon Brown told MPs yesterday that his reform of national insurance, originally introduced to finance the welfare state, would put an extra £66 in the pockets of all employees, or £1.28 per week. However, he failed to point out that the reform would also effectively cut the amount of money paid each year into the State Earnings Related Pension Scheme (Serps), which provides workers with a top-up to their ordinary basic pension. Even the millions of people who were persuaded by the former Conservative Government to opt out of Serps and join a private personal pension are expected to lose out because the amount of state rebate they receive is based on national insurance contributions. Insurance companies

#### PENSIONS

said the Government was effectively giving with one hand and taking with the other. Steven Cameron of Scottish Equitable said: "It looks as if the Chancellor is saying you can have more in your pay packet now, but you will have less in your pension." Aside from the problems with national insurance, the pensions industry breathed a collective sigh of relief that there was no further attack on their privileges. In Mr Brown's earlier budget last July, he added an estimated £5 billion from pension funds by abolishing tax credits on share dividends. The National Association of Pension Funds, which represents schemes with £600 billion under management, said: "This Budget lays the ground for a successful launch of the welfare reform Green Paper next week. It also shows that the Treasury and the Depart-

#### PENSIONS

ment of Social Security are now working in harmony in relation to pensions and welfare." Mr Brown made no mention in his speech of stakeholder pensions, the Government's blueprint for pension reform. Frank Field, Minister for Welfare Reform, is expected to flesh out the stakeholder proposals shortly, after consulting with the pensions industry and mutual societies. Pension reform is seen as critical by the Government because of the burden on the taxpayer of a rapidly ageing population: in the next millennium there will be fewer workers to support a greater number of old people. The previous Government's proposals, drawn up by Peter Lilley just weeks before the election in May, would have led to a substantial reduction in tax relief for savers. Early talks on the nature of the stakeholder pension suggest it will be a portable plan which people can take from job to job.

### 'Only smugglers will gain from duty rise'

By ROBIN YOUNG

#### CIGARETTES AND ALCOHOL

THE cost of a packet of 20 cigarettes will rise by more than 20p after a 5 per cent increase in tax. Duty on a pint of beer will go up by 1p a pint, 4p will be added to the price of a bottle of wine but duty on spirits will be frozen. The increase in the cost of cigarettes is in line with proposals set out by the Chancellor in his first Budget last summer to raise tobacco duties by an average of 5 per cent a year in real terms. Duty on pipe tobacco and cigars will also rise by this amount, but the rate for hand-rolling tobacco remains unchanged. Anti-smoking campaigners said the Chancellor had done no more than the minimum to honour his earlier pledge. However, the tobacco industry said that it was "profoundly disappointed" by the "massive increase". The Chancellor announced that he was increasing staff to

#### CIGARETTES AND ALCOHOL

suppress smuggling, but John Carlisle, the former Conservative MP who is now executive director of the Tobacco Manufacturers' Association, claimed the increase would encourage illegal imports. "We are already receiving reports that the sources for contraband tobacco are now confident of finding an increased market, and we believe that bootleggers will redouble their efforts to profit from the Government's misguided policy." The tax on a packet of 20 cigarettes in Britain will now be about £2.85, 275 per cent more than in Belgium, which is a favourite source for British bootleggers. The Wine and Spirit Association similarly predicted an increase in smuggling. The increase raises duty on a bottle of wine from an average of £1.08 to £1.12. The equivalent tax in France is 10

#### CIGARETTES AND ALCOHOL

centimes (about 1p) and has not changed in four years. Barry Sutton, association chairman, said: "Our reaction is one of deep dismay. We believe this will prove to be a crime-boosting Budget, and that the Chancellor will not see an extra penny of revenue as a result. "We calculate that cross-border shopping has increased steadily over the past two years and now at least ten million cases of wine are bought by British shoppers in France. In addition there is a bootlegging trade which is difficult to quantify, but which is a very significant amount of wine sales." Excise duty on spirits was not changed in the Budget. Successive Chancellors have been reluctant to increase tax, recognising the difficulties facing home producers, particularly Scotch whisky distillers, in maintaining sales.

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Anne Ashworth says savers owe the generosity of individual savings accounts to Geoffrey Robinson

SAVERS can give thanks today for the blundering of Geoffrey Robinson, the millionaire Paymaster General. So insensitive and inept was his handling of the launch of individual savings accounts (Isas) late last year that Gordon Brown has been forced to change the proposals to salvage the career of his Treasury colleague, and to quell rebellion in Middle Britain.

However, it seems unlikely that Mr Robinson, offshore trust enthusiast, will be chosen to mastermind any future savings initiatives. The Isas rules, in their remodelled form, are now more generous than Mr Brown originally intended. Despite his desire to see the low-paid put a little cash aside, the Chancellor had privately seen the Isas arrangement as a highly convenient way to limit tax relief.

# Blundering paymaster saves the day

The much criticised and unworkable £50,000 ceiling on transfers of Peps and Isas has disappeared. Existing Pep and Tessa savings of any amount will be safeguarded from tax, and investors will also be able to contribute £7,000 a year to their Isas in the first year and £5,000 thereafter. However, the £50,000 figure remains, for the time being, as a ten-year limit on contributions.

Those taking full advantage of their allowances could invest £9,000 a year in Peps and a further £9,000 over five years in a Tessa. Those now embarking on long-term savings, the Generation X, may conclude that the Labour scheme is a poor replacement for its Tory predecessors. They will also conclude that new Labour, although supposedly design-conscious, shows little imagination in naming savings incentives.



COMMENT ANNE ASHWORTH Personal Finance Editor

for other, less lenient measures. They were braced for attacks on pensions, further decreases in mortgage tax relief and income-tax changes. None materialised. However, the Chancellor should not be viewed as a benefactor. The changes to the dividend tax credit in Mr Brown's first budget which cut the income of pension funds means that everyone with a pension needs to contribute an extra 7 to 8 per cent a year. Few have yet built this extra expenditure into their personal budgets.

another blow for households, although it raises an easy £720 million for the Exchequer. Like Miras, its value has shrunk under successive Chancellors, whether married or no, despite pleas from those who believe that the state should put a higher price on the state of matrimony. However, it will come as reassuring news to Sarah Macaulay, Mr Brown's girlfriend, who can conclude that, if Mr Brown pops the question, he will gain only another £190 in tax-free income.

The decrease in the married couple's allowance will help to pay for the higher rates of child benefit proposed by the Chancellor, a welcome recognition of the needs of families. However, higher-rate taxpayers may soon be forced to pay tax on their child benefit.

solve this conundrum. For Middle Britain, the Budget held a few other consolations, not the least of these the far-ranging anti-avoidance measures that will require the wealthy to pay fortunes, either in tax or in accountants' fees, or both. The raising of the inheritance tax threshold shows that the Chancellor has some idea of the value of the average home, the largest part of any estate. The reform of capital gains is another welcome concession, rewarding those who are prepared to invest long-term. Over the next year, there will be an unsteady scramble to purchase Peps and Tessas before they are put out to grass. But those who do not want to get caught in the rush can spend their free time in another way, thanks to Mr Brown, enjoying culture in admission-free museums.

# Tax credit will enable workers to avoid stigma of claiming benefit

The big idea running through Gordon Brown's Budget is that "Work always pays", reports Jill Sherman. Yesterday he aimed to encourage people to swap state benefits for gainful employment and wipe out the poverty trap through the working family tax credit; help with childcare costs; and an extension of Labour's "poor deal"

THE centrepiece of the Budget is the new working family tax credit (WFTC) which will help 1.4 million families on low incomes at a cost of £5 billion a year. The WFTC, which comes into effect in October next year, will guarantee all families with at least one parent working a minimum income of £180 a week, which will be above the level of the minimum wage.

Now, the new payment will be paid either to the man in his pay packet or to the wife by cheque, and will replace family credit. The new payment will be more generous, costing £1.5 billion more than family credit, and also going to more families. At the moment several families who are eligible for family credit do not claim it because of the stigma attached to receiving benefit.

childcare tax credit, which is included in the £1.5 billion extra cost. Mr Brown told the Commons: "Under the present system of family credit there is, quite simply, a ceiling on aspirations for women and men wanting to work their way up."



The Hills - Sasha, Gary, Candina, Kelly and Daniel - hope the Budget will give them a new lease of life

## The bank man who gave a good account of his ideas

MANY of the welfare reforms announced by the Chancellor spring from the mind of Martin Taylor, 45, the Danish chief executive of Barclays Bank. A former journalist and one-time student of Mandarin Chinese, Mr Taylor was asked last May by Gordon Brown to lead a review of the tax and benefits system.



Taylor, bringing tax and benefits closer

quacies of the national insurance system, and the effect it has in discouraging employers from offering work, as well as the impact on people seeking employment. Borrowing directly from markets strategy, Mr Taylor has essentially cut the price to entry to the jobs market by removing various barriers. He has also spotted that by reducing the national insurance contributions of employees, the minimum wage could be set at a lower level, a nice political point. However, it is the lack of incentives for the partners of the unemployed which appears to upset Mr Taylor most. At present, if one partner in a couple loses a job, the incentives for the other to work are greatly reduced.

Our tables - also somewhat surprisingly - show that a married couple with one child, where only one partner works, will be worse off, as will an equivalent family where both parents work. Again the reduction in Miras counteracts the increased child benefit and the cuts to NI. In fact, the Chancellor's measures encourage procreation. Families that have two or more children will be better off after the Budget proposals. The increases in child benefit will then outweigh the changes in Miras.

But Treasury officials made clear that the amount each family would gain would depend on their circumstances and the number of children they had. A family on £200 a week, about £10,400 a year, with two children will be about £23 a week better off than they are

Parents at Work, a campaign group, said the new tax credit was a "major breakthrough" for working parents. Many families will be able to overcome the barriers to work they currently face. Sue Monk, the group's chief executive, said: "John Monks, general secretary of the TUC, said: "Help for families with children was the TUC's number one Budget priority. The Chancellor has taken some bold first steps towards the reform of taxes and benefits, but we still need to see more details."

The overall impact of the Budget measures leaves single people and some on low incomes worse off, as our Budget tax tables reveal: see page 11. Those who earn between £10,000 and £30,000 are worse off, assuming that they are homeowners. The reduction in mortgage interest tax relief this April will mean that those who have a £30,000 mortgage or more will be £100 a year worse off. The cut in National Insurance and tax, through the indexation of personal allowances, do not make up for this cut in Miras.

## A young family hoping to spring free of poverty trap

GARY and Candina Hill and their three children are exactly the sort of people who could be helped by Gordon Brown's Working Family Tax Credit designed to get people off benefit into work. Mr and Mrs Hill from Birkenhead, Merseyside, are out of work, live on a range of benefits and are mired in the "poverty trap" that keeps them dependent.

Gary has been unemployed since 1990 when ill health forced him to give up his job as a coach driver. He has known only life on the dole in five years of married life, raising Kelly, nine, Sasha, seven, and Daniel, four. An ancient stripped-down Honda motorcycle standing in the kitchen of their three-bedroom council house on the Woodchurch estate in Birkenhead is a clue to

Gary's hopes of one day escaping the ranks of the jobless. He is studying for an NVQ professional qualification in motorcycle mechanics to make himself more attractive for potential employers. Candina has also signed on an engineering course. "Their dream is to start up a "his and hers" motorcycle repair business but they realise only too well, it is something to keep them going. Their life revolves round the weekly trip to the Post Office to collect the £100 Income Support. They are not eligible for Family Credit and, with the breadwinner studying part-time, they can

not sign on to the Jobseeker's Allowance scheme. Their only other significant income is £29 a week child benefit. Gary reels out the hard facts. Although he lives close to the breadline, he would have to earn around £28,000 before tax to be better off. "For it to be worth my while to work, I would have to bring home at least £400 to £500 a week, because then I would have to find my rent to pay. I'd have tax to pay, community charge, water rates, dental charges, school meals, prescription charges - and that doesn't come cheap."

## Women benefit as tax anomaly is ended

By ALEXANDRA FREAN SOCIAL AFFAIRS CORRESPONDENT

THE Budget will remove a long-standing anomaly from the tax rules, which excluded mothers with disabled husbands from a payment worth nearly £2,000 a year. The Chancellor announced an allowance previously only paid to men with children who cared for severely disabled wives would now apply to women as well. Gordon Brown said the measure represented a first step towards recognising the importance of carers within the family and would end an injustice that the previous Government tolerated. He said: "The tax allowance which has been available only to men with children whose wives are incapacitated will now be extended to mothers with dependent children and incapacitated husbands."

### CARERS

to April 1997. Nikki Hill, the assistant director, said the £1,830 allowance change will benefit 9,000 women. "This was an unjust allowance which we have long campaigned to abolish. It harked back to a time when the rule makers thought women did the housework so men needed help if their wives were disabled. At last carers and the work they do is beginning to be recognised." Today's announcement was a surprise but we are nonetheless delighted. Casinos will have to pay more duty on the profits of gambling under revised rates announced yesterday. The top rate of gaming duty will increase from 33.5 per cent to 40 per cent, a rise expected to net an extra £25 million for the Treasury. The Chancellor also put up the cost of licences for fruit machines and other cash-prize arcade games. Licences for small pay-out machines will rise from £35 to £45 while for club jackpot machines - which pay out up to £250 - the cost will go up from £1,375 to £1,815. The Treasury said the rises followed deregulation in the industry - such as raising the maximum possible jackpots - which had brought benefits to operators. However, in another concession, licences will be scrapped for quiz machines which cost less than 35p to play. Insurance companies claimed that there was "no justification" for the Chancellor's decision to raise insurance premium on travel insurance across the board to 17.5 per cent. Currently, that rate applies only to insurance sold through travel agents. Holiday insurance sold direct, and other forms of general insurance, is currently subject to a rate of 4 per cent. However, the Government has decided that the rate should be harmonised to 17.5 per cent for all forms of holiday insurance. The Chancellor did, however, spare the industry a rise in general insurance premium tax.

# BUDGET 98

## Widened plan will get 80,000 more back into jobs

### OLDER WORKERS

By CHRISTINE BUCKLEY  
INDUSTRIAL CORRESPONDENT

The Government's scheme to help the young unemployed back into work is to be widened to take in more than 80,000 extra jobs people.

The Chancellor said yesterday that the "new deal" programme — which was launched to help 250,000 under-25s find employment — would now be available to older workers who have been unemployed for more than six months. The extension will cost £100 million.

Gordon Brown also extended the net to partners of unemployed people who currently are not eligible for employment programmes in a move that will cost £60 million.

Employers taking on older workers through the new deal programme will get more subsidy than those who recruit under-25s, with the Government paying them a weekly contribution of £75 for each worker for six months rather than the £60 paid for under-25 workers. The extra

subsidy is on the table to cover the expected higher wages paid to older workers.

The widening of the new deal scheme, which is being funded by the £5.2 billion windfall tax on the privatised utilities, to older workers will reach 70,000 extra people while the extension of the programme to the partners of the unemployed will bring in another 10,000.

The Government has been driven to extend the scheme because of falling unemployment figures — particularly among young people. Only 118,000 young people are currently eligible for the new deal, leaving a vast gulf between candidates and the declared target of providing 250,000 jobs.

The extension of the new deal was largely welcomed by employers, who believe they will benefit from the greater skills and experience possessed by older workers.

Stephen Alambrinis, head of parliamentary affairs for the Federation of Small Businesses, said: "A lot of employers were mulling over joining the new deal because they weren't sure they could get the right skills and experience from under-25s. This will make more businesses, particularly small companies, interested. Small businesses haven't always got the time to spend developing young people."

John Critland, director of human resources at the Confederation of British Industry, said: "It's a sensible move that the new deal programme has been widened and employers will welcome the extension to older workers." David Blunkett, Education and Employment Secretary, said: "This is a tremendous boost for long-term unemployed adults. Help will be individually designed for each person in the pilots and we will build on the expertise that has been developed through the new deal for 18-24 year olds."

Older workers to be covered by the new deal will get special help in finding jobs. The Department for Education and Employment said the employment service would tailor help to more specific needs — such as IT training — that older jobless people may have. Extra help will be given to the unemployed over-50s.

Deprived communities and unemployment blackspots are also to be separately targeted in the New Deal in a £15 million initiative.

Pathfinder projects will be launched in areas where poverty and unemployment is acute to speed up access for the jobless to the New Deal programme. John Prescott, Deputy Prime Minister and head of the Department for the Environment, Transport and the Regions, said: "We will build on existing good practice to deliver integrated and sustainable regeneration and promote economic opportunity in the most deprived neighbourhoods."

Rodney Bickerstaffe, general secretary of Britain's biggest union, Unison, welcomed the new deal extension as "a step in the right direction," but he added: "It's a shame that the Chancellor did not use the opportunity to increase public investment to create more jobs in the long term."

Radison Edwardian Hotels, along with the British Hospitality Association, yesterday became the latest of a string of large employers to sign up to the new deal. The Government said that 40,000 employment opportunities have been created across the hotel and catering industry.

## 'Buddy' scheme to be outlined today

By ADAM JONES

MORE details of the "buddy" system, whereby the young unemployed are assigned a trained mentor to aid their transition to the world of work, will be announced today by David Blunkett, the Secretary of State for Education and Employment.

Gordon Brown said in his Budget speech yesterday that the mentoring scheme would be one of the beneficiaries of £50 million of further investment in the "New Deal gateway" — the point-of-entry for those young people who will be joining companies through the new scheme.

His mentors will include employees of those companies which are participating in the idea, a Department for Education and Employment spokesman said.

"They may see it as a skills training and development opportunity for more experienced staff to give on in the New Deal."

The initiative has been rolled out in only a few areas since being introduced in January. As a mentor is not introduced in the earlier stages of the scheme, it is not thought that any mentors have been appointed yet, the department spokesman added.

The New Deal is due to be introduced across the country on April 6.

### MARRIED COUPLE, BOTH WORKING

	1998/99		1997/98		1998/99		1997/98		1998/99		1997/98		1998/99		1997/98	
	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife
GROSS ANNUAL INCOME	12,000	8,000	12,000	8,000	15,000	10,000	15,000	10,000	20,000	15,000	20,000	15,000	30,000	15,000	30,000	15,000
Personal allowance	4,195	4,195	4,195	4,045	4,195	4,195	4,195	4,045	4,195	4,195	4,195	4,195	4,195	4,195	4,045	4,045
Misc (incl)	80	80	158	158	80	80	158	158	80	80	158	158	80	80	158	158
Taxable income	7,805	3,805	7,805	3,805	10,805	5,805	10,805	5,805	15,805	10,805	15,805	10,805	25,805	10,805	25,805	10,805
MCA relief	285	0	275	0	285	0	275	0	285	0	275	0	285	0	275	0
Tax thereon	1,698	781	1,707	791	2,528	1,298	2,397	1,247	3,506	2,356	3,547	2,397	5,806	2,356	5,847	2,397
NI contributions	934	934	942	942	1,294	1,294	1,242	1,242	1,734	1,734	1,742	1,742	2,256	2,256	2,180	2,180
Child benefit	598	598	574	574	598	598	574	574	598	598	574	574	598	598	574	574
NET INCOME	8,775	7,291	8,794	7,298	11,788	8,746	11,794	8,743	15,135	12,098	15,144	12,093	22,313	12,098	22,428	12,093
JOINT NET INCOME	17,550	14,582	17,588	14,596	23,576	17,492	23,588	17,485	30,270	24,196	30,288	24,186	44,626	24,196	44,856	24,186
Tax (reduction)/increase	1.15%	£30	1.15%	£30	0.58%	£28	0.58%	£28	0.34%	£28	0.34%	£28	1.19%	£132	1.19%	£132

### MARRIED COUPLE, NON-WORKING SPOUSE TWO CHILDREN

	1998/99		1997/98		1998/99		1997/98		1998/99		1997/98		1998/99		1997/98	
	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife
GROSS ANNUAL INCOME	10,000	10,000	10,000	10,000	20,000	20,000	20,000	20,000	30,000	30,000	30,000	30,000	40,000	40,000	40,000	40,000
Personal allowance	4,195	4,195	4,195	4,045	4,195	4,045	4,195	4,045	4,195	4,195	4,195	4,195	4,195	4,195	4,045	4,045
Misc (incl)	180	180	315	315	180	180	315	315	180	180	315	315	180	180	315	315
Taxable income	5,805	5,805	5,805	5,805	15,805	15,805	15,805	15,805	25,805	25,805	25,805	25,805	35,805	35,805	35,805	35,805
MCA relief	285	0	275	0	285	0	275	0	285	0	275	0	285	0	275	0
Tax thereon	1,208	1,208	1,247	1,247	3,508	3,547	3,547	3,547	5,806	5,847	5,806	5,847	10,806	10,806	10,806	10,806
NI contributions	1,294	1,294	1,242	1,242	1,734	1,734	1,742	1,742	2,256	2,256	2,256	2,256	2,878	2,878	2,878	2,878
Child benefit	598	598	574	574	598	598	574	574	598	598	574	574	598	598	574	574
NET INCOME	8,868	8,868	8,843	8,843	12,368	12,368	12,368	12,368	19,775	19,775	19,775	19,775	28,703	28,703	28,703	28,703
JOINT NET INCOME	17,736	17,736	17,686	17,686	24,736	24,736	24,736	24,736	39,550	39,550	39,550	39,550	57,406	57,406	57,406	57,406
Tax (reduction)/increase	5.63%	£76	5.63%	£76	1.62%	£76	1.62%	£76	2.43%	£158	2.43%	£158	0.16%	£10	0.16%	£10

### MARRIED COUPLE 65-74

	1998/99		1997/98		1998/99		1997/98		1998/99		1997/98		1998/99		1997/98	
	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife
INCOME (PENSIONS)																
Personal allowance	5,410	5,410	5,220	5,220	15,112	15,112	15,112	15,112	18,112	18,112	18,112	18,112	23,112	23,112	23,112	23,112
Taxable income	2,702	2,702	2,702	2,702	7,992	7,992	7,992	7,992	13,658	13,658	13,658	13,658	18,917	18,917	18,917	18,917
MCA relief	498	0	478	0	498	0	478	0	498	0	478	0	498	0	478	0
Tax thereon	540	0	578	0	1,842	0	1,842	0	3,012	0	3,112	0	4,222	0	4,222	0
NET INCOME	8,868	1,965	8,012	1,888	11,966	1,965	11,966	1,965	15,598	1,965	15,598	1,965	19,175	1,965	19,175	1,965
JOINT NET INCOME	10,833	10,833	9,900	9,900	13,932	13,932	13,932	13,932	17,560	17,560	17,560	17,560	21,140	21,140	21,140	21,140
Tax (reduction)/increase	(56%)	(£28)	(56%)	(£28)	(8.59%)	(£88)	(8.59%)	(£88)	(4.51%)	(£130)	(4.51%)	(£130)	(1.25%)	(£50)	(1.25%)	(£50)

### MARRIED COUPLE OVER 75

	1998/99		1997/98		1998/99		1997/98		1998/99		1997/98		1998/99		1997/98	
	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife
INCOME (PENSIONS)																
Personal allowance	5,805	5,805	5,400	5,400	15,112	15,112	15,112	15,112	18,112	18,112	18,112	18,112	23,112	23,112	23,112	23,112
Taxable income	2,912	2,912	2,912	2,912	4,212	4,212	4,212	4,212	7,512	7,512	7,512	7,512	13,488	13,488	13,488	13,488
MCA relief	522	0	494	0	522	0	494	0	522	0	494	0	522	0	494	0
Tax thereon	502	0	542	0	908	0	961	0	1,588	0	1,651	0	2,968	0	3,090	0
NET INCOME	8,112	1,965	8,054	1,888	11,922	1,965	11,922	1,965	16,524	1,965	16,524	1,965	20,144	1,965	20,144	1,965
JOINT NET INCOME	10,077	10,077	9,942	9,942	13,884	13,884	13,884	13,884	18,488	18,488	18,488	18,488	24,106	24,106	24,106	24,106
Tax (reduction)/increase (100.00%)	(52%)	(£28)	(52%)	(£28)	(14.89%)	(£70)	(14.89%)	(£70)	(8.03%)	(£70)	(8.03%)	(£70)	(5.33%)	(£130)	(5.33%)	(£130)

### SINGLE PERSON NO KIDS

	1998/99		1997/98		1998/99		1997/98		1998/99		1997/98		1998/99		1997/98	
	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife
GROSS ANNUAL INCOME	10,000	10,000	10,000	10,000	15,000	15,000	15,000	15,000	20,000	20,000	20,000	20,000	30,000	30,000	30,000	30,000
Personal allowance	4,195	4,195	4,195	4,045	4,195	4,045	4,195	4,045	4,195	4,195	4,195	4,195	4,195	4,195	4,045	4,045
Misc (incl)	180	180	315	315	180	180	315	315	180	180	315	315	180	180	315	315
Taxable income	5,805	5,805	5,805	5,805	10,805	10,805	10,805	10,805	15,805	15,805	15,805	15,805	20,805	20,805	20,805	20,805
MCA relief	285	0	275	0	285	0	275	0	285	0	275	0	285	0	275	0
Tax thereon	1,208	1,208	1,247	1,247	3,508	3,547	3,547	3,547	5,806	5,847	5,806	5,847	10,806	10,806	10,806	10,806
NI contributions	1,294	1,294	1,242	1,242	1,734	1,734	1,742	1,742	2,256	2,256	2,256	2,256	2,878	2,878	2,878	2,878
Child benefit	598	598	574	574	598	598	574	574	598	598	574	574	598	598	574	574
NET INCOME	8,868	8,868	8,843	8,843	12,368	12,368	12,368	12,368	19,775	19,775	19,775	19,775	28,703	28,703	28,703	28,703
Tax (reduction)/increase	5.14%	£28	5.14%	£28	2.59%	£28	2.59%	£28	1.73%	£28	1.73%	£28	0.88%	£28	0.88%	£28

### SINGLE PERSON 65

	1998/99		1997/98		1998/99		1997/98		1998/99		1997/98		1998/99		1997/98	
	Husband	Wife	Husband	Wife	Husband	Wife	Husband	W								

# BUDGET 98

## Business verdict: small comfort and no nasty shocks



**BRIAN STEWART**  
Chief exec. Scottish & Newcastle



**DAVID MANNING**  
Director of Foreign & Colonial



**PAMELA STEVENS**  
Owner of chain of beauty salons



**NICHOLAS BROOKES**  
Chief executive, Bowthorpe



**GORDON CAMPBELL**  
Chief executive, Courtaulds



**MALCOM HARRIS**  
Chief executive, Bovis Homes



**TERRY GREEN**  
Chief executive, Debenhams

The Chancellor's decision to increase the price of a pint of beer by 1p is disappointing. It has to be seen in the context of the huge differential between Britain and mainland Europe. Unless he moves to reduce this disparity, at least in part, cross-Channel imports will increase to represent 10 per cent of all consumption by the end of the Parliament — exporting economic activity and employment. What makes his decision particularly galling is the attractiveness of the opportunity to stimulate pubs by cutting duty. The beer industry employs nearly one million people and increasingly offers good training and career development — an ideal entry to work for exactly the people the Chancellor says he wishes to support.

Budgets have traditionally been directed towards particular areas of the economy, and this year's appears to be a sensible one, addressing areas and people who have been left behind in the economic upturn. The feature of the Chancellor's first Budget was the absence of large increases in personal taxation to slow consumer growth, leading to five increases in interest rates and a strong pound as the Bank of England used its only available weapon to keep within the Government's inflation target. This Budget will do little to change the current climate and, indeed, the Bank may well raise interest rates soon. Companies already suffering from the high level of the pound will see no relief.

If these tax changes had been in place when I was starting up in business, life would have been a lot easier. I like his idea of "making work pay" — and the reduction in corporation tax is great. I am always looking for staff and get six trainee applications a week, but I simply can't afford to take them on. It costs £7,000 to train my girls and, with the tax relief in training, I will be able to take on a lot more straight from school. My other problem is that I lose half my girls when they start a family. They would like to come back and I'd love to have them — after all, I've spent so much training them. But the cost of childcare is so horrendous. The 70 per cent tax credit on childcare should make it a lot easier for them.

We welcome the recognition that greater investment in research and development is crucial to higher productivity. We will look forward to seeing the substance behind these words. Bowthorpe works closely with universities in practical research and development so we also welcome the £50 million University Challenge Fund. The initiatives to support small and medium-sized businesses are encouraging [and] will help create an environment in which these businesses can flourish. We regret the loss of an opportunity for companies to encourage industrial training. There are incentives for us to invest in, and successfully develop, industrial skills to a high level overseas — we need to have the same in the UK.

It is a Budget of many changes, but few are as significant as those in the Chancellor's first Budget. With government borrowing in such good shape, this was surprising. The reduction in corporation tax is, of course, welcome, but had already been flagged, and incentives to persuade people back to work have to be respected. The strength of sterling remains a major concern to Courtaulds, despite our international spread of operations. The main question is whether the Budget provides the catalyst to lower interest rates and return sterling to a more competitive level. Whilst productivity remains the key to international competitiveness, relative exchange rates have to achieve sensible levels.

No change to mortgage interest relief — this is good news for all homebuyers, particularly low-income households. An early reduction in interest rates would be welcome and would enable increased investment, moderation of wage claims and assist exporters. The raising of stamp duty to 3 per cent will increase land costs, which will add to the costs of producing new homes at a time of moderating sales price increases. The Budget should provide a healthy new homes market for the foreseeable future. The changes to employers' national insurance contributions should enable the housebuilding industry to employ and train additional people, particularly the young, supporting the Welfare to Work initiative.

The effects on our chain of 87 stores will be indirect. We did not expect any measures aimed at our sector of the high street, but it is always a relief not to have any nasty surprises. It's difficult to predict what the long-term effect on the high street will be, particularly when we do not know when, or even if, the Bank of England will raise interest rates as a result of the Budget. Only now are we seeing the effects of successive interest rate rises on current mortgage repayments. Debenhams, like any other business, wants to operate in a stable economic environment with out violent swings in interest rates, growth and spending. In so far as the Chancellor was seeking to foster long-term stability in his Budget, we welcome it.

### A pot of gold for entrepreneurs who start early

By JON ASHWORTH

#### ENTERPRISE

YOUNG entrepreneurs were urged to "start up" and "start investing", with the promise of a pot of gold for those who stay the course. Cutting the rate of capital gains tax from 40p to 10p for longer-term investments will mean huge benefits for owner-managers. A young businessman selling up for £2.5 million after ten years would face a punitive £1 million tax bill under the old system. That bill now falls to £250,000. First-year capital allowances for small and medium-sized companies will be set at 40 per cent for 12 months from July. They were thought likely to be abolished. Moreover, the Inland Revenue will offer businesses help in setting up payroll systems under a scheme available nationwide from April 1999. The real incentive to entrepreneurs comes in the steep reduction in "exit" penalties for those who lock up their money for at least ten years.

Concessions have previously only been open to those aged 50 or more. Those who "build businesses or stake their own hard earned money in them" will see the long-term rate of capital gains tax fall from 40p to 10p. Richard Baldwin, a partner in Deloitte & Touche, hailed the 10p rate as "very good news", citing the case of two owner-managers in their thirties, who sold their company last year after ten years' work. They made £2.5 million each, but tax at 40 per cent wiped £1 million off their gains. Jerry Blackett, assistant director of small business banking at Barclays, said there was now a real incentive to set up on one's own. Anyone investing £11,000 in a company and selling up for £500,000 after ten years would face a tax bill of £196,000 — unless they were 50 or more. Under the new system, the bill falls to £48,000.

### Companies must wait to feel benefits of cut

By PAUL DURMAN

#### CORPORATION TAX

BRITAIN'S largest companies will not feel the benefit of the Chancellor's cut in corporation tax until at least 2003. Having used his first Budget to cut the main rate of company taxation from 33 to 31 per cent, Gordon Brown yesterday announced plans to reduce it further to 30 per cent — and committed to cap it at that level for the duration of this Parliament. However, this initially does no more than ease the transition to a new accelerated system of tax payments that is to be introduced from next year. Rather than paying tax in arrears as at present, the 20,000 companies with profits of more than £1.5 million will have to pay tax in quarterly instalments based on their estimates of their liability for the current accounting period. The change will produce a cash-flow benefit for the Government that will last until 2002 and should bring in an

extra £9 billion. The Confederation of British Industry said the move would require companies to incur additional administrative costs forecasting their tax. Some stock-market quoted companies are also concerned because of Stock Exchange restrictions on making profit forecasts. The Chancellor has bowed to pressure to exempt smaller and medium-sized companies below the £1.5 million profit limit from the quarterly payment system. Such companies tend to have less reliable forecasting systems. Mr Brown said the cut in the main rate of corporation tax would eventually save large companies more than £1.5 billion every year. He said: "This is the lowest main rate of corporation tax of any major industrialised country."

#### IT firms offered bonus

COMPUTER companies could gain millions of pounds from a government proposal, released alongside the Budget, to allow investment in intellectual property to be treated in the same way as other investment. The change could wipe millions of pounds from the tax bills of companies who employ programmers to write software. The Government is asking for the industry's views on its proposals. Graeme Reid, tax partner at KPMG, said: "Software depreciates far more quickly than physical assets."

### Tax reliefs hailed as a victory for industry lobbyists

By FRASER NELSON

#### INDUSTRY

ENTREPRENEURS will benefit from five Budget tax reliefs, which business leaders hailed as proof that the Government is taking heed of advice from its network of industry task forces. Reform of capital gains tax, the creation of a university venture capital fund and incentives for long-term investing were all policies that had been lobbied hard for by industry figures advising the Government. However, Gordon Brown attracted criticism for phasing out retirement relief, a tax break designed for entrepreneurs who wish to sell their stake in the company and retire on the proceeds. The central reform was a reduction in capital gains tax for investors who leave their money locked up in a company for over ten years. Those who sell out in the early days of a business will be taxed at 40 per cent on any profit. Those who leave it in for ten

years will be charged tax at 24 per cent. The £50-million fund to invest in university technology was an unexpected innovation. The "University Challenge" fund is designed to plough sums of up to £250,000 to university scientists who have designed a new drug, or invention, and need cash for further development. Dr Chris Evans, the biotechnology entrepreneur, said the fund replicated the system used in Germany — and would help keep innovation in Britain. "This is exactly what we need." Fixing capital allowance at 40 per cent and the reduction of small company tax from 21 per cent to 20 per cent were also welcome, he said, but did not amount to a bonanza. Mr Brown also proposed to increase the tax-free amount of investment by venture capital companies from £75,000 to £150,000 annually.

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# BUDGET 98

Chancellor drives home message on need to increase protection of the environment

## £50 saving will encourage motorists to think small

By ARTHUR LEATHLEY AND NICHOLAS WOOD

### ROAD TAX

MILLIONS of motorists will have their road tax reduced by £50 under plans to encourage the use of cars that do less damage to the environment.

Gordon Brown announced plans for a two-tier system of car licensing, with reductions for those that have small engines or meet low emission targets.

The £50 cut, bringing the cost of a car licence down from £150, is expected to be introduced from April next year, although ministers have yet to decide the engine size and emission level that will qualify. The reduction will follow a freeze on road tax in the financial year starting next month and costing the Treasury £145 million in lost revenue. Mr Brown will be

concerned about the potential cost to the Treasury of allowing too many car owners to qualify for a reduced charge. The two-tier system could cost the Exchequer up to £800 million a year depending on where he draws the line.

Of the 24.9 million cars on Britain's roads, 16 million have an engine size of up to 1600cc. Cutting vehicle excise duty from £150 to £100 for cars in this category would cost £800 million. Cars with engines of up to 1300cc number 10.6 million, which would mean £530 million in lost revenue. By restricting the reduced rate of VED to the 2.1 million mini-cars (up to 1,000cc) the Chancellor would lose only £105 million.

The road tax reduction was

welcomed by the Society of Motor Manufacturers and Traders. It said it supported measures to encourage the sale of small, low-emission cars.

Roger King, the society's acting chief executive, said: "We're particularly pleased that this is to be done by cutting excise duty, not increasing it for bigger-engined vehicles. Many people need a bigger car and it would have been wrong to penalise them."

The society also applauded the Chancellor's decision not to restructure the taxation of company cars. "The present system is fair and expensive for the perk driver," Mr King said. "We believe that our views, and those of others, that the company car is an essen-

tial business tool have prevailed."

The Automobile Association welcomed the road tax reduction for small cars, but protested that for the sixth year running the motorist was having to bear a higher tax burden — £60 a year on average. John Dawson, the AA's policy director, said: "The environmental claims behind tax rises are bogus. And talk of alternatives to motoring are bogus too. Tomorrow's petrol prices will be 10 per cent higher, but the public transport options will be just as non-existent."

Roger Higman, of Friends of the Earth, also welcomed the reduction. "This is what we have been pressing for for a very long time. We will have to see the details but it is certainly a move in the right direction."

## Tax makes up nearly 80% of fuel cost

1998 PUMP PRICES

Country	Price per litre (pence)			Tax (%)
	Leaded	Unleaded	Diesel	
UK	73.6	67.3	68.5	80
France	66.9	62.8	46.0	79
Germany	n/a*	54.0	39.6	72
Japan	n/a*	48.5	39.4	n/a
Italy	64.1	60.7	47.6	70
Spain	47.5	44.1	35.4	80
Netherlands	n/a*	63.4	43.4	60-75
Belgium	63.6	58.5	41.1	75
Canada	n/a*	23.6	23.3	n/a
Denmark	n/a*	55.8	43.5	85
Luxembourg	47.8	42.4	34.2	63

\* Leaded petrol not available in these countries

DRIVERS last night suffered an immediate increase in fuel prices of 4.4 pence per litre, as the Chancellor increased the duty on petrol by 6 per cent above inflation (Arthur Leathley writes).

The increase is estimated to bring an extra £2.7 billion into the Treasury, and the Government is committed to increasing the price of duty by the same amount above inflation until at least 2002.

From 6pm yesterday, leaded petrol increased by 4.9p a litre, and unleaded petrol and ultra-low sulphur diesel by 4.4p. Ordinary diesel rose by 1p more — 5.5p a litre — to encourage a reduction in carbon emissions.

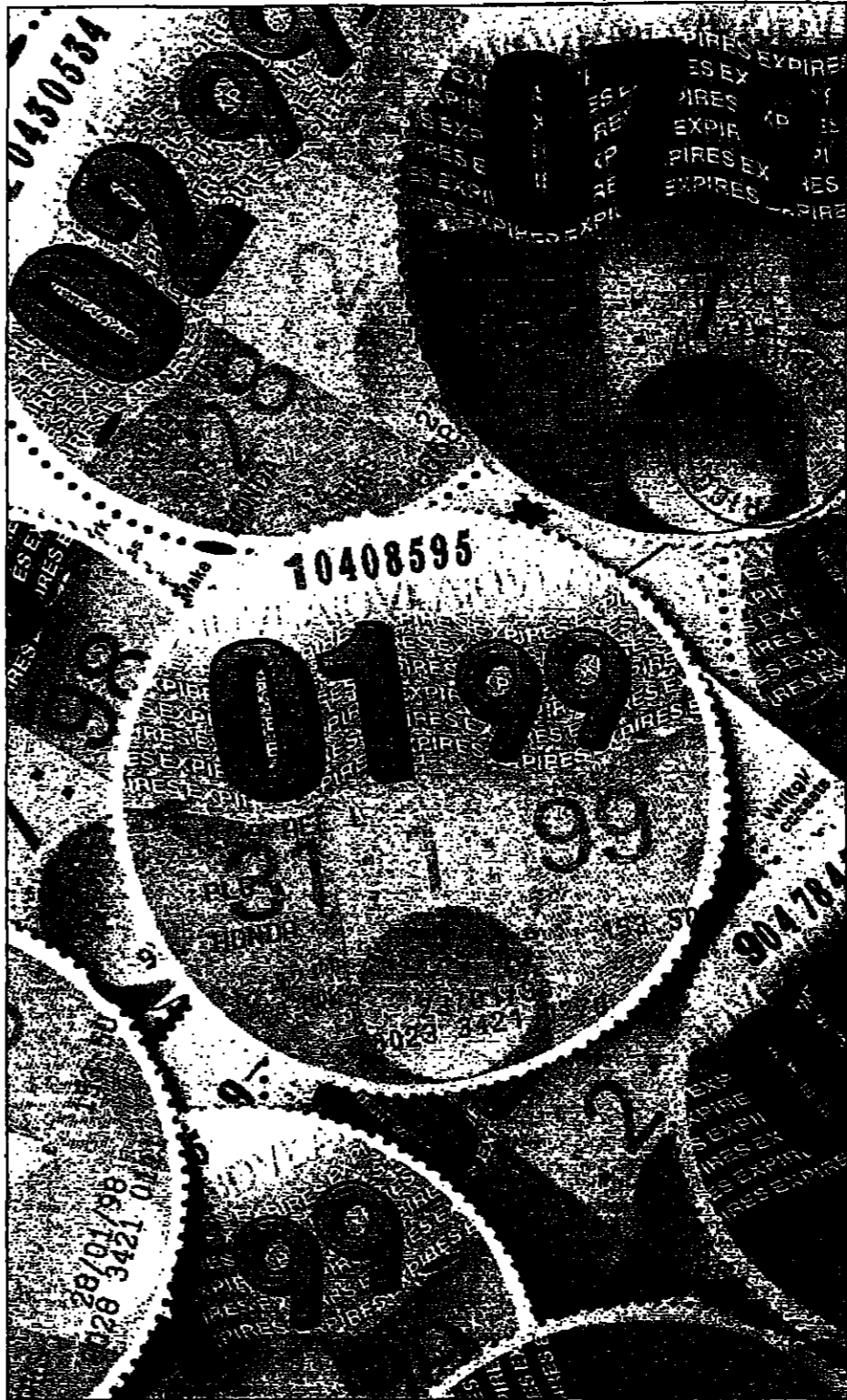
Britain has some of the most expensive petrol in Europe, and the percentage taken in tax is higher than in

### MOTORING

most countries around the world, at almost 80 per cent.

The Freight Transport Association said that the increases in fuel prices would add about £500 million to supply costs. The Automobile Association said that, for the sixth year in succession, the motorist was bearing a higher tax burden of an estimated £60 a year on average.

John Dawson, the AA's policy director, said: "The environmental claims behind tax rises are bogus. Talk of alternatives to motoring are bogus, too. Tomorrow's petrol prices will be 10 per cent higher, but the public transport options will be just as non-existent."



Disc duty: drivers pay £150, but a reduction is in store for those with small cars

## £50m for rural bus services 'only a small step'

By SIMON DE BRUNELLES

IF THREE quarters of rural communities without any bus service at all share Gordon Brown's promised £50 million investment in rural transport they will end up with little more than a wheel nut each.

The service has been deteriorating for as long as most Cabinet members can remember. Roger Higman, transport campaigner for Friends of the Earth, called the announcement a step in the right direction, but only a small one, adding: "Fifty million is not very much when spread across the whole country."

"We feel that much, much more must be done to support bus services in rural communities. It would make a dramatic difference to life in the 19 per cent of rural households which have no car at all and the 50 per cent that have only one — whoever is left at home is quite literally stranded. "We would have preferred to see revenue support given

### TRANSPORT

by local councils to bus services. That is what is going to make the difference."

In Wiltshire, a county that has lost most of its rural bus services, transport campaigners were also disappointed. Kate Freeman, a consultant, said: "If you are going to try using the car and stick they have got to be very big. Perhaps if you doubled the figures he announced you could start to see an improvement."

□ Cash for Tube: More than £500 million is to be poured into public transport over the next three years, mainly into the underfunded London Underground system (Arthur Leathley writes). Details will be announced later this week of additional funding for the network, which ministers are preparing for a partial sell-off.

John Prescott, the Deputy Prime Minister, is to make a Commons statement to MPs on plans to attract some £7 billion of private sector investment into the Underground over a 15-year period. It is expected that up to £400 million will be reserved for it.

The RAC complained that motorists would pay well over £2 billion annually through new petrol duty increases.

Matthew Taylor, the Liberal Democrat environment spokesman, said: "The increased investments in public transport are outweighed by the cuts the Government has forced on local authority transport budgets."

## Environmental measures fail to win the green vote



By NIGEL HAWKES  
SCIENCE EDITOR

THE Chancellor tried hard to give his budget some green touches, but the reaction from environmentalists was that he could have done much better.

"I give it three out of ten," said Tony Juniper of Friends of the Earth. "A missed opportunity," the Environment Agency concluded.

Apart from the changes in licence fees for cars and fuel taxes, the environmental impact of the budget is small. Changes on landfill levy and a cut in VAT on some home insulation materials left environ-

mentalists begging for more. Friends of the Earth accused the Treasury of failing to deliver on the Government's promise to put the environment at the centre of its policies. In one respect, Mr Juniper said, the budget even appeared to represent a step backwards.

Mr Brown had said the Government was determined to hit the 8 per cent target reduction in carbon emissions inside the European Union agreed at Kyoto. "But at the election and after, they committed themselves to a 20 per cent reduction, much higher than the EU target," Mr Juniper said.

The increase in the landfill levy

from £7 to £10 a tonne next April is an attempt to encourage other ways of disposing of waste. But if the result is more incineration, environmentalists will consider it no gain.

Moreover Mr Brown's bid to encourage energy saving by reducing VAT on the installation of energy-saving materials from 17.5 per cent to 5 per cent also got a very muted response. The VAT reduction applies only to materials funded "under certain government grant schemes", greatly limiting the range of the reduction.

The Liberal Democrats' Energy Spokesman, Andrew Stunell MP, made the same point, accusing the

Chancellor of hiding behind EU rules. "It's a con," he said. "In Belgium VAT on insulation materials has been reduced to six per cent without any opposition from the European institutions."

"Now, although VAT on energy saving materials has been cut to five per cent under grant schemes, if people go down to their local B&Q they will still be taxed at 17.5 per cent."

Eoin Lees, chief executive of the Energy Saving Trust, said this decision was "particularly disappointing". He added: "The trust hopes that at the earliest opportunity the Government will cut VAT on energy-

saving materials across the board." The Chancellor also announced a review of how industrial use of energy might be curbed, chaired by Sir Colin Marshall, former boss of British Airways.

But among striking omissions was any mention of economic incentives to favour housebuilding on "brown-field" sites in the inner cities rather than in the country, and no action on taxing company parking spaces.

Charles Secrett, executive director of Friends of the Earth, described the budget as a major missed opportunity. "Labour is rapidly forfeiting its claim to be a green government," he said.

## Help for investors in the long run

By MARIANNE CURPHEY

THE Chancellor has made radical changes to capital gains tax to reward long-term investment and penalise short-term speculators.

When investors sell shares that have risen in value they may have to pay CGT on the difference between the price they paid for them and the price when they sold them. That difference is known as a capital gain. Investors can make gains of up to £6,500 annually before they are taxed at any gains above this level at the highest rate of tax.

The Chancellor announced that the current exemption of

£6,500 is to be increased to £6,800 for the tax year 1998-99. Investors will also be entitled to a tapering exemption from CGT depending on how long they hold their investments from April 5, 1998. The longer they hold the shares, the lower their CGT bill. If they hold shares for ten years, they will pay tax on only 60 per cent of any gain they have made. If they hold shares for just two years, they have to pay tax on the whole of the gain.

For example, if an investor bought shares worth £100,000 and sold them for £250,000, the gain would be £150,000. Under the old rules and assuming inflation of 3 per cent for ten years, the gain would be reduced by £34,000, so the net gain would be £116,000. In total, the tax paid would be £46,000 because the investor would be a higher rate taxpayer. Under the new rules, if he held the investment for ten years, tax would be payable on 60 per cent of the gain. He would have a net gain of £90,000 and the tax payable would be £36,000.

There were other changes to reward entrepreneurs who take a large stake in a growing business. Over the ten years that the stake is held, the percentage of the gain on which tax is liable tapers sharply. Someone who supported a small business for a decade would have to pay capital gains tax on only 25 per cent of any gain he made.

But if you made losses on investments in previous years and wanted to offset them against current gains, you would have to use these up before you could apply the £6,500 annual exemption.

## Bed and breakfast share deals halted

By MARIANNE CURPHEY, GAVIN LUMSDEN AND CAROLINE MERRELL

THE Chancellor has effectively stamped out with immediate effect the common practice of "bed and breakfast" share deals. Investors would sell their shares one day and buy them back the next to make the most of their £6,500 annual capital gains exemption.

Gordon Brown announced he was closing this loophole and that investors who wanted to sell to make a capital gain would have to wait 30 days before they bought them back.

Some of those affected may be members of converted building societies who were given windfall shares last year.

Gavin Oldham, chief executive of the Share Centre at

Tring, Hertfordshire, urged the Chancellor to make the rule effective from today rather than yesterday, since a number of small investors who had sold their shares, intending to buy them back today, would not be able to do so.

Angela Knight, of the stockbrokers' trade association APCIMS, said that it was "a significant reduction for the prudent savers of Middle England".

Holders of windfall shares who have seen their holdings double, and who had intended to sell and buy back their stock before the end of the tax year to make the most of their annual exemption, will be unable to.

In addition, the Chancellor has clamped down on British residents selling assets overseas to avoid capital gains tax. In a change to the temporary non-residence rules, people will have to stay abroad for more than five years if they wish to escape tax on the disposal of assets.

Formerly, employees had to stay abroad for a year to avoid capital gains tax and non-workers had to banish themselves for three years. Philip Davis, tax partner at Ernst & Young, said that the move was draconian and forced offshore workers to keep record of their investments.

The Chancellor established a uniform rate of capital gains tax on trusts. From April 6, all gains realised by trustees and representatives of dead people will be charged at 34 per cent. This means an 11 per cent tax rise for so-called interest in possession trusts, in which beneficiaries are entitled to all the trust's income.

Elsbeth May, personal finance partner at KPMG, said the move could mean a rush of people realising their assets in the trusts before the deadline. There is no change in capital gains tax for discretionary and accumulation trusts.

The Government announced plans to scrap retirement relief by a gradual reduction of the relief thresholds. At present, retirement relief exempts those over 50 and those that have retired early due to ill health from paying capital gains tax on disposals of up to £250,000. The Chancellor's proposals will phase out retirement relief over the next few years.



Knight said change would hit Middle England

## Company car drivers keep their tax breaks

By ARTHUR LEATHLEY  
TRANSPORT CORRESPONDENT

MORE than two million company car drivers breathed a sigh of relief last night as the Chancellor again backed away from heavy increases on their taxes.

Mr Brown had been widely forecast to announce a sharp shift in the way that taxes are charged on company cars, penalising those with large private mileages. He told MPs that he was still considering curbs on private mileage, but he made no change to the current system based on business mileage.

However, company car drivers receiving free fuel will see a gradual increase in the value of the fuel on which they are taxed over the next five years. The taxable value of free fuel will increase by 20 per cent above pump prices in each of the next five years, eventually increasing their tax by about £1 a week.

The current tax system on company car mileage is based on the number of business miles driven, with the amount payable reducing as the employee reaches 2,500-mile and 15,000-mile thresholds. He said plans to replace the existing business mileage discounts with discounts for driving fewer private miles in company cars would be considered.

Such a change would be made in the light of policy changes in the integrated transport White Paper, due to be published in May, that could include office car park charges.

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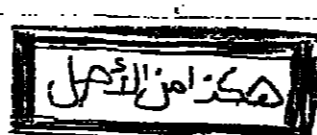
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# BUDGET 98

## Concessions sweeten move to new scheme

By CAROLINE MERRELL, PATRICK COLLINSON AND CLARE STEWART

AN ESTIMATED six million savers will benefit from the U-turn by the Chancellor on proposals for the Individual Savings Account (ISA). Under the revised plans for the ISA, the replacement for the Tax Exempt Special Savings Account (Tessa) and Personal Equity Plans (Peps), savings already accumulated in these two tax-free plans will be "ringfenced" from further taxation, while ISAs will begin in earnest in April next year.

The climbdown by the Government will have the biggest impact on between 300,000 and 600,000 savers who have

### PERSONAL SAVINGS

more than £50,000 invested in Peps and Tessa. It was originally proposed that Tessa and Peps savings would be rolled over into the new ISA, under complicated transition rules. Those who had more than £50,000 saved in Peps and Tessa faced capital gains tax and income tax on the excess after the introduction of the ISA in 1999.

This policy, announced by Geoffrey Robinson, the millionaire Paymaster General, was deemed to constitute retrospective taxation. Many savers had been putting money into their Peps rather than into a pension — the tax breaks on

both types of scheme being broadly similar.

The concept of a lifetime investment limit of £50,000 has also been dropped. Instead, the new account will be guaranteed to run for at least ten years, with an annual subscription limit of £5,000.

ISA investors will be given the option of holding £1,000 a year in life insurance and £1,000 in cash with the rest in stock market investments, or they could opt to put the total £5,000 into equities.

In another concession, the contribution limit in the first year of operation of the ISAs will be raised to £7,000, to

allow a higher amount of cash to be invested. Theoretically, then, the total amount that could be invested is £52,000. This compares unfavourably with the investment limits for Peps and Tessa.

Under present rules, a total of £9,000 a year can be put into Peps, and a total of £9,000 can be put into a Tessa over a five-year period. There was no total lifetime limit on Peps investment. The capital from maturing Tessa can be rolled over into an ISA, without affecting the overall contribution limit. Savers will also be able to buy an ISA from more than one provider in one year, again a significant concession.

Pep providers unanimously welcomed the revised proposals, which are expected to create a huge surge in business as investors snap up Peps and Tessa before they are ringfenced in April 1999. Shares in the two biggest Pep providers soared, with M&G jumping by 130p to 1780p, and Perpetual ahead 140p to 3565p.

Tessa Murray, spokeswoman for M&G, said: "We are delighted for our customers. The product has been simplified and the £3,000 cash element in year one throws it open more widely and will incentivise low-income people."

Rowan Gormley, managing director of Virgin Direct, said: "No amount of tax benefits will attract people into a product if they don't trust the financial services industry. If we get true transparency on charges, we should see charges coming down. It's going to be tougher and tougher for the financial old guard."



## Loopholes are to be closed

By GAVIN LUMSDEN

### OFFSHORE CENTRES

LABOUR'S traditional antipathy to offshore investors appears to have been hardened by the revelation last year that Geoffrey Robinson, the millionaire Paymaster General, is a beneficiary of a trust in Guernsey.

Gordon Brown announced a dual offensive on offshore centres. Loopholes involving offshore life insurance policies and trusts are to go. In addition offshore investors are likely to feel the heat of draft anti-avoidance legislation which will require British residents to pay tax on all their worldwide assets.

Since 1991, people setting up offshore trusts (settlers) to benefit their family or

companies have had to pay tax on the capital gains made in the trust. In a move against the offshore industry the Chancellor has backdated this legislation so that all offshore trusts are now transparent to the Inland Revenue. This is expected to yield the Exchequer £50 million this year.

In an explicit attempt to reduce the Government's embarrassment over Mr Robinson, the Chancellor has changed the law regarding offshore trusts set up by foreigners. Unlike other beneficiaries in the UK, Mr Robinson has been able to take tax-free benefits from the Orion trust in Guernsey because the

settlor, Joska Bourgeois, was a Belgian and outside British tax law. Henceforth, beneficiaries of such trusts will have to pay capital gains tax. However, Mr Robinson will still be able to take a tax-free income from the dividends paid on shares held within the trust.

As part of his onslaught on the offshore industry Mr Brown also announced he was taxing highly personalised portfolio bonds. These are single premium life insurance policies in which investors shelter a portfolio of shares rather than the collective funds offered by insurance companies. The Revenue has long considered them to be a means of tax avoidance because holders can decide when to surrender the policies.

## Special offer will increase benefits for first-year savers

By CLARE STEWART

### HOW ISAS WORK

INDIVIDUAL savings accounts will be launched in 1999 with a first-year special offer.

Anyone taking out an ISA in the tax year after April 1999 will be able to put in an initial £7,000 in cash, shares or life assurance. Of this, no more than £3,000 can be in cash and £1,000 in life assurance. For subsequent years, however, the annual investment limit will revert to £5,000 with limits of £1,000 on cash investment and £1,000 on life assurance.

As with Peps and Tessa, husbands and wives will each

have an annual £5,000 limit, and £7,000 each for the first year. ISAs are guaranteed to run for at least ten years from 1999 and there will be no lifetime limit on investments. Investment in an ISA will be completely tax-free and there is no requirement either for a minimum investment or to hold the investment for a minimum period, as there is, for example, with Tessa.

Savers will have a wider choice of what to put into an ISA. Together with the equities and bank and building society accounts that currently

qualify for Peps and Tessa, savers will be able to include supermarket savings accounts, life assurance and a range of National Savings products.

To take advantage of the annual £1,000 cash allowance, for example, a saver could drip-feed funds into an ISA or set aside a proportion of an existing savings account to make use of the tax-free allowances. For those who want to invest in the maximum £5,000 of equities annually, the choice of qualifying shares that can be put into an ISA will be wider than Peps rules allow, although details have yet to be announced.

## Historic houses face longer opening hours

By PHILIP DELVES BROUGHTON

INHERITANCE tax was left largely untouched, against expectations, Gordon Brown raised the threshold at which it is payable from £215,000 to £223,000, without changing the 40 per cent rate. He promised to tighten the rules on public access to valuable works in historic houses that owners have the right to set against inheritance tax.

Raising the threshold will help those whose inheritances may have swelled unexpectedly above the previous level because of recent rises in

### INHERITANCE TAX

house values. For the owners of larger estates, it will make little difference. Inheritance tax raises £1.6 billion a year, a figure unlikely to change much.

Anthony Jarvis, whose family has lived at the Elizabethan Doddington Hall, near Lincoln, since the 1830s, was gratified by the relative lack of change but concerned about warning signs for owners of historic houses.

As well as the hall, Mr Jarvis owns 2,000 acres. He farms 750, lets 550 to tenant farmers and the rest is garrets or wooded.

He inherited the estate in 1973. "The estate now more or less pays its way, though at first we faced the usual problems of a high tax bill and lack of liquidity," he said. Despite the capital value, it was a struggle to find cash for the inheritance tax. He has since



Mr Jarvis at Doddington Hall: little more to pay

seen the capital value of the land, hall and 24 estate cottages rise considerably. The higher threshold will not seriously affect Mr Jarvis, whose estate is worth considerably more, though the extra cost "does represent one decent piece of furniture".

When he inherited Doddington Hall, he had to promise public access to the house

and contents to reduce his inheritance tax bill, so Mr Brown's demand for improved public access should represent little more than a modest expansion of existing arrangements. But he says there is concern over "historic homeowners being forced to keep their houses open for longer periods, when it may not be financially possible".

## Increase will hit home among the big spenders

By RACHEL KELLY, PROPERTY CORRESPONDENT

### STAMP DUTY

CHANGES in stamp duty may slow down the top end of the housing market, especially in London. The tax will be levied at 2 per cent for houses worth more than £250,000, and at 3 per cent for those above £500,000.

The buyer of a £250,000 house will have to pay an extra £1,250, a total of £5,000. The tax was previously 1.5 per cent for houses worth £250,000 to £500,000. Those buying homes for more than £500,000 now face £15,000 in stamp duty, an extra £5,000. Their tax was previously 2 per cent.

The mainstream housing market will remain largely unaffected by yesterday's speech. However, the previ-

ous Budget decided that the 15 per cent allowance on interest payments on the first £30,000 of a mortgage will be cut to 10 per cent next month, reducing the value of the subsidy from £390 a year to £260.

Hugh Dunsmore-Hardy, chief executive of the National Association of Estate Agents, said: "The Chancellor has set a precedent in announcing amendments to stamp duty in successive budgets. By tampering again with stamp duty, he signals he is using it as a way of curbing inflationary trends in the market."

While 98 per cent of house sales will be unaffected by the changes, Mr Dunsmore-Hardy said that they could

reduce the supply of property in central London and the Home Counties, as people became reluctant to move.

Stephen King, a partner with agents Strutt & Parker, said: "We have several clients who have been contacting their solicitors, asking if they can sign contracts by Tuesday." Tony Pardee, from Carter Jonas, said that some agents would value properties at £499,000, or £249,000, just below the thresholds, to avoid the higher rate.

The changes will affect an estimated 30,000 residential and 20,000 land and commercial properties. Commercial investors will be particularly concerned about the increase in the tax as most property in that sector is worth more than £500,000.

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Credits help more get back employ...

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# Credits will help mothers get back into employment

By MARK HENDERSON

HUNDREDS of thousands of low and middle-income families will be able to afford quality childcare for the first time under the generous tax credit package unveiled by the Chancellor.

Families will be able to claim up to 70 per cent of the costs of accredited childcare under the scheme, which was hailed by campaigners as a vital step in making work pay. Up to £100 a week can be paid to a family with one child and up to £150 to families with two or more children, a figure childcare groups described as very realistic.

The scheme is designed to end the "childcare trap", which makes it difficult for low or middle-income mothers to return to work because of the prohibitive costs of nursery and after-school care for their children.

Families will qualify for the 70 per cent rebate if they earn less than £14,000 and have one child, or earn less than £17,000 with more children. The credit will then taper off as incomes rise. Parents of one child will still be able to claim help with a household income of £22,000 and parents of two or more children can earn £30,000 and still get the credit.

The tax credits will replace the complicated childcare disregard under which the costs of nursery or after-school care can be ignored when income support is calculated. Fewer than 30,000 families get help with childcare under the disregard; hundreds of thousands will benefit from the new system. The credit scheme will operate from October 1999 as part of the working families' tax credit, also announced in the Budget as a replacement

## CHILDCARE

for family credit. The whole tax credit package is expected to cost the Exchequer £1.5 billion more when it begins operating fully next year.

The move to help working families to afford childcare comes after the Government's decision last November to spend £300 million from lottery receipts and the windfall fund on setting up a network of 30,000 out-of-school clubs.

Colette Kelleher, director of the Daycare Trust, which campaigned for the kind of childcare credit adopted by the Chancellor, said that the measures would transform the lives of parents who had not been able to return to work because of high childcare costs. "We have been arguing for some time that childcare had to be an integral part of the working families' tax credit and we are delighted that the Chancellor has accepted the logic," she said.

The childcare disregard never went far enough and was much too complicated, but this is going to provide realistic levels of help with the real costs of childcare.

The tapering of the tax credit to give help to middle-income families would help with the poverty trap, she said. "Most help will go to the poorest, which is right, but a steep cliff when you earn a bit more is in nobody's interests. It will underpin the welfare-to-work strategy and it will help tackle social exclusion."

Anne Longfield, director of Kids' Clubs Network, the out-of-school club charity, said that the scheme would be massively popular among working families. "For too long families have been left to face a

stark choice between finding the work they need and caring for their children," she said. "Help with childcare in today's Budget gives a clear and welcome message that parents are not alone and that everyone — children, parents, communities and Government — benefits if families can become financially independent."

The Chancellor has pitched the credit at the right level, she said. "We estimate those on lower income cannot afford to spend more than £25 to £30 a week, yet childcare usually costs more than £100. The 70 per cent subsidy with a £100 maximum is well thought out, based on reality."

Liz Sewell, chief executive of Gingerbread, which supports lone parents and children, said that the tax credit looked promising. "For lone parents who can get a job and get child care, this is a very positive Budget," she said.

Janet Gordon, 35, a hairdresser with a five-year-old daughter, said that the credit would allow her to go back to work. "The cost of childcare had kept me at home, but I am very excited about this," she said. "It will make all the difference."

The sharp increase in child benefit is to be funded by a cut in the married couples' tax allowance from 15 per cent to 10 per cent as part of a concerted drive to target resources at children (Nicholas Watt writes). The change will cost couples £95 a year. The allowance, which is worth £285 to married couples, will be worth £190 from next April.

Gordon Brown said the present system of allowances for married couples was chaotic. "The changes will not affect pensioners; their allowances will be unchanged."



Michelle Foster with her son Charlie. She goes out to work for one day a week, but after the Budget announcement she plans to do more

## Women welcome help with costs

By ALEXANDRA FREAN  
SOCIAL AFFAIRS  
CORRESPONDENT

MICHELLE FOSTER, a sales executive, welcomed the Chancellor's help for lower-paid people to meet the costs of childcare.

Ms Foster, 25, who lives with the father of her son, was keen to return to work full-time after the baby was born last November, but has turned down several full-time jobs. To have accepted would have left her scarcely £1 a day better off, once she had paid for childcare.

she said. "Even office jobs don't pay enough around here and shop jobs are just out of the question."

This month Ms Foster, of Uttoxeter, Staffordshire, returned to her old job as a computer sales manager, but the company, Creative Technology, could only afford to hire her for one day a week.

After paying a registered childminder £2.20 an hour to look after her son, Charlie, she is £10 to £15 a week better off than if she stayed at home. "Help with childcare costs will be a huge benefit to me. There is not a lot left after I have paid the childminder

## REACTION

and I'm not in a position to get someone in my family to look after Charlie for free."

Knowing that help will be available with childcare costs will encourage Ms Foster to seek more work. "One day a week is not enough to help pay all the bills — I want to find more work. I also feel that I need to get back into the workforce more fully and I need to do it now because the longer I leave it the harder it will be for me to adjust."

Cathy Simson, a single mother from West London

who works full-time as a course administrator for a charity, relies on her invalid mother to look after her two-year-old son, Jordan. "I tried putting Jordan in a nursery full-time when I first went back to work, but I gave up after a month because I could not afford it. The cheapest local nursery is £95 a week, and the nearest costs £167.50 a week," she said. "I think that the Government should put a ceiling on how much private nurseries can charge, or should help pay for the costs of sending children there."

Ms Simson, who is considering putting Jordan in a private nursery one day a week to give her 65-year-old mother a rest, believes that the new tax credit for childcare costs would partially help to her situation. Where the Government really needs to provide help, however, is in increasing the supply of affordable childcare, she said.

"State-run nurseries seem only to be for children who are abused or who have special medical needs; there is nothing for people like me. This country has the highest childcare costs in Europe; the Government should look at other countries to see what they do."

## Party time next year masks tax later for rich parents

Jill Sherman reports on a surprise 20% rise in benefit for the first child

CHILD benefit is to be taxed for wealthier families later this Parliament but the Chancellor has sugared the pill with big increases in child benefit from April next year.

Gordon Brown signalled yesterday that top rate taxpayers would have their child benefit taxed but he refused to put a date on when that would take place, insisting any increase would follow a children's review.

But he did announce a surprise 20 per cent increase in payments for the first child, which will go up by £2.50 a week over and above inflation from 1999.

The present rate for the first child is £11.05, with subsequent children getting £9.05 a week. In addition, poorer families on family credit or income support (for those out of work) will gain £2.50 a week for children under 11.

The £5 top-up for out-of-work families will compensate for the £5 cut in benefits for

one-parent benefits announced by the Government last year, despite protestations that there has been no U-turn on the cuts.

The total cost of raising child benefit will be more than £1 billion but this will be largely paid for by cutting the married couple's allowance by

## CHILD BENEFIT

5 per cent, raising £720 million in 1999 and over £1 billion from 2000.

Mr Brown yesterday made a firm commitment to retaining child benefit as a universal benefit paid to all, and appeared to rule out means-testing in either this Parliament or future Parliaments. But he made clear that he believed there was a case

for taxing child benefit in the future.

"For those who want to see child benefit raised in future years the question undoubtedly arises as to whether it should be taxed for those at the top of the income scale. It must be right in principle that if child benefit is raised in future, then there is a case for higher rate taxpayers paying tax on it."

The Chancellor's decision to raise the issue of taxing child benefit follows years of speculation that Labour would penalise wealthier groups. The Social Justice Commission set up by John Smith first recommended it should be taxed for top-rate payers back in 1994, but Tony Blair did not include this in Labour's manifesto.

Mr Blair has always been

less keen than Mr Brown to incur the wrath of the middle classes by taxing the benefit, which would raise more than £500 million, and there has been some suggestion that the speech was toned down on this issue.

The increase in child benefit, which will be for all families irrespective of income, will go some way to compensating for an eventual tax, which would cut the weekly payment for top-rate payers by about £2.50 a week for each child. While Mr Brown refused to put a date on when child benefit might be taxed, he would be unlikely to wait for more than two years, as it would be too near the next election. Mr Brown hinted that there could be further changes in future on the age limit for child benefit. He is known to be keen to scrap child benefit for 16 to 18-year-olds but yesterday emphasised the benefit was most needed for the under-11s.

## Nurseries and after-school clubs may be overwhelmed

By MARK HENDERSON

## TAX CREDITS

NURSERIES and after-school clubs are expected to come under intense pressure for places in October 1999 when the childcare element of the working families tax credit is first paid.

Although the Chancellor last November announced a £300 million investment in a national network of out-of-school clubs offering a place to every child who needs one, the system is unlikely to be ready to cope with the demand stimulated by the tax credits.

The national network will start 30,000 clubs over five years, but there will be no more than 9,000 clubs with 250,000 places available by next October. Parents are expected to seek more than 500,000 places when their credits are paid, and the

competition will be as tight for pre-school children, where charities estimate every available place could be filled twice.

Anne Longfield, director of Kids' Clubs Network, which represents Britain's existing 3,500 out-of-school clubs, said some parents were bound to be disappointed. "The Government is putting its money where its mouth is, but there is no doubt there will be a rocky period when the credits are being paid but the infrastructure hasn't caught up," she said.

Further problems could be caused by a serious shortage of qualified playworkers and childminders. Ms Longfield said, "We are going to need about 90,000 new playworkers to staff the extra kids'



"Sorry, she's at work - I'm her new nanny"

clubs, and there simply aren't the facilities there to train them all quickly enough at present.

Only about 50 colleges offer qualifications in play work,

with no more than 2,500 training places available every year. "We need to see money being targeted at the colleges."

The Pre-School Learning Alliance said investment was needed to fund places for pre-school children. "Parents with young children face real difficulties when nurseries in their area either do not exist or do not accept children under the age of 3 or are unable to offer care and education to match working hours," Margaret Lochrie, the charity's chief executive, said.

Unemployed young people will be offered the chance to train as playworkers under the 'Welfare to Work' programme. A Green Paper on childcare next month is expected to spell out in greater detail how the Government will implement national childcare strategy.

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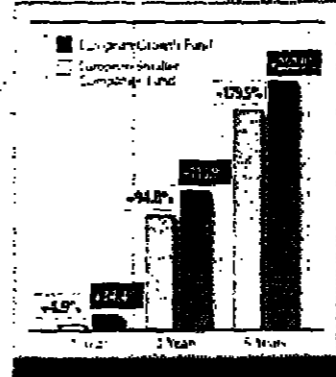
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# BUDGET 98

## Chancellor's speech: Brown promises to encourage ambition

# 'Our goal is a tax system that rewards enterprise and makes all work pay'

Only once in a generation is the tax system fundamentally reformed. The Budget I bring before the House and country today begins the task of modernising not just taxation but the entire tax and benefits system of our country.

We do this to encourage enterprise: to reward work; to support families; to advance the ambitions not just of the few but of the many. For decades, under governments of both parties, the great economic strengths of our country have been undermined by deep-seated structural weaknesses — instability, underinvestment and unemployment. So behind the detailed measures of this Budget is the conviction that we must break for good from the conflicts and dogmas that have held us back and have for too long failed our country.

We must build a national economic purpose around new ambitions for Britain.

### ECONOMY

First, stability. We must break from our history of stop-go and the false trade-offs between inflation and unemployment. The new ambition is long-term economic strength and stability based on an unshakeable commitment to prudent monetary and fiscal rules.

Second, enterprise. Instead of punishing success by high taxation or offering the incentive of low taxation to only a few, the new ambition is a tax system that makes all work pay, that encourages skills and rewards enterprise and entrepreneurship throughout the economy.

Third, welfare reform. The new ambition is a modern welfare state that, instead of trapping people in poverty, provides opportunity for all.

And fourth, strong public services. Instead of simply defending unreformed public services, or denigrating them simply for being public, the new ambition is to have modern schools and hospitals where investment and reform go hand in hand.

So this will be a Budget that demonstrates that a modern Government with new ambition for Britain can advance both enterprise and fairness and can advance them together. And that, by rewarding work and rewarding work at every level, everyone and not just one section of society benefits: a Budget that advances the ambition of all.

By spring last year, with consumer demand already rising by 5 per cent and the money supply by 11 per cent but industrial production up only 1.5 per cent, the economy was exhibiting the same symptoms of instability from policy errors that produced the boom-bust economy of the late Eighties.

To avoid a lurch backwards towards the kind of boom-bust instability that brought interest rates as high as 15 per cent in the late Eighties, the Government, and then the Bank of England, took action to ensure stability. And I followed this tightening of monetary policy by putting in place a tough five-year deficit reduction plan.

Last November, I was able to report that I was more optimistic that the economy was on course to get back on track for sustainable growth. That remains my view. But I also warned that there were risks ahead — on the one hand the effects on the world economy of turbulence in Asian financial markets, and on the other, the domestic risk

that an unaffordable rise in wage inflation would lead to higher interest rates and slower growth.

These risks remain. A deteriorating situation in Asia has forced all governments to revise downwards their forecasts for growth. And while this Government contributed to swift international action, continuing uncertainties require continuing vigilance.

Similar vigilance is also required at home in the face of inflationary pressures. In the last few months wage settlements have risen, even in the manufacturing sector where I fully recognise that a strong pound makes life difficult for exporters. Our aim is a stable and competitive pound in the medium term and I know that exporters agree with me that we must avoid any return to stop-go. It would not be right to sacrifice long-term goals in the face of short-term pressures.

No one should be in any doubt about this Government's, and the Bank of England's, determination to meet our inflation target. And I can now report that because of the action already taken, inflation, which when we came to power was heading well above our target and towards 4 per cent, is now forecast to peak at 3 per cent this year and be at our target of 2.5 per cent next year. And it is because we have established a sound long-term framework and the expectation of low inflation that long-term interest rates have come down substantially from over 7.5 per cent just before the election to below 6 per cent now, the lowest rate for 33 years.

Growth this year and next will depend crucially on what happens to wage inflation over the coming year. It would be the worst of short-

been achieved this year, with borrowing coming down by more than £17 billion, over 2 per cent of national income.

It is because at this stage of the cycle it is important to err on the side of caution that my Budget will lock in this fiscal tightening for 1998-99. So even if we exclude the windfall tax, borrowing — which the last Government had planned at £19 billion for this year — is now expected to be £5 billion, a fall from 3 per cent of national income last year to around 0.5 per cent this year, comfortably within the Maastricht criteria. On the same basis borrowing is expected to fall to just under £4 billion in 1998-99. By 2000, the Budget is forecast to be in balance.

But our fiscal objectives are more long-term, to meet the golden rule that over the cycle government revenues will cover consumption — and to keep debt at a prudent and stable level.

Previous governments have made the mistake, most recently in the late Eighties, of claiming that they had solved our deficit problem when all they had was a short-term surplus. Surpluses in 1988 and 1989 elapsed into a deficit approaching £50 billion in just four years, the biggest deficit in our history. What was claimed to be the end of one crisis turned out to be only the beginning of the next.

We are determined to avoid such mistakes. To balance the Budget for one or two years and then let it run out of control in the years that follow is simply to fail those who depend on public services being sustained year in, year out. So this, more than ever, is the wrong time to be complacent or in any way to compromise our commitment to long term fiscal stability.

Just as we locked in our commitment to sound money through the Bank of England, it is now time to lock in a framework which guarantees sound finances.

Our code of fiscal stability will place a duty on this Government, and every future government, to report to Parliament on a consistent basis and provide full explanatory information on how it is meeting the fiscal rules it has set. Stability and prudence are merely the preconditions for success, the platform from which success can be built.

It is time now to show similar ambition and determination in the pursuit of long-term increases in productivity.

### ENTERPRISE

For years as a nation our capacity to consume has not been matched by our capacity to produce. And it is because we have had insufficient capacity to sustain anything other than low rates of growth that our upturns have been too short and too fragile, our downturns too deep and too destructive.

But with a platform of stability in place and with lower long-term interest rates, I believe we are now in a position to establish, for the first time for decades, a virtuous circle of low inflation, high investment and a higher level of sustainable growth.

And over the next few years we must seize this opportunity — by challenging ourselves to lift our productivity in each and every industry towards the levels of the world's best.

I want us to be as determined to raise productivity as we have been tough-minded about the need for stability. Breaking free from old ideas of state control and crude

laissez-faire, our new ambition for Britain must be to encourage enterprise and entrepreneurship, to boost education and skills and — as our competition Bill will ensure — to open markets to competition and new opportunities, in other words to implement for our country a medium-term strategy for growth.

### BUSINESS TAXES

First then, our proposals to help businesses invest and grow. To encourage long-term investment, today we will put in place the company taxation reform we started last year, by abolishing one tax in its entirety. From April next year, companies will no longer have to pay advance corporation tax. A new instalments system of payment for larger companies' corporation tax will be introduced.

In the last Budget we reduced the main rate of corporation tax by 2p to 31p. In this Budget we reduce it further by another 1p to 30p from April 1999. This is the lowest main rate of corporation tax of any major industrialised country. The lowest in the history of corporation tax in Britain. When it is finally in place companies will pay over £1.5 billion less in corporation taxes each year.

The lower and fairer tax regime that business has wanted for years is now in place under this Government. It will contribute to making Britain the best place in the industrialised world in which to invest.

Businesses need to plan for the long term so today I make a commitment that for the rest of this parliament corporation tax will be at 30p or less. Stability is important, not least in our North Sea oil industry where planning horizons are long. Next month we will publish a consultative document on the future of the North Sea fiscal regime.

In the new economy, however, jobs will come not simply from having a small number of large

businesses but a large number of small and growing businesses. Today we will make five major changes that will help small business: we will cut tax; we will cut the costs of investing; we will cut the burden of red tape; we will promote research and innovation; and we will increase the rewards for doing well.

First, following the consultation on our corporate tax proposals, I will exempt medium, as well as small-sized companies from paying corporation tax by instalments. Taken together with the abolition of advance corporation tax, this will improve the cash flow for small and medium-sized companies' paying dividends by about £1 billion.

But I want to do more. 85 per cent of taxpaying companies in our country — 350,000 companies — are covered by the small companies' rate of tax.

In the last Budget, I cut the small companies' tax rate from 23p to 21p. I have now decided to go further. From April next year small companies' tax will be cut again to 20p. And we will also keep the rate at this level or below not just for a year, but for the Parliament.

We are not only cutting the tax rate but also cutting the cost of investing. For 12 months from July, first year capital allowances for small and medium sized companies will be set at 40 per cent, continuing our commitment to boosting investment.

I want to make it easier and cheaper for small businesses to take on their first employees, but setting up payroll systems costs money and time. So from April next year the Inland Revenue will offer businesses help in setting up their payroll systems, and on a nationwide basis.

For too long the great scientific advances of British universities have gone on to become the manufacturing successes of rival countries. So to help turn British inventions into success for British businesses, I am announcing today plans for a new £50 million venture capital fund open to all universities.

A new university challenge fund that will invest today in the innovative businesses that will create wealth and jobs tomorrow. Encouraging greater R & D investment is also crucial to higher productivity so the Government is today publishing a consultative document indicating a determination to help businesses achieve this.

Our venture capital industry is proportionally much smaller than that in America. But by merging the enterprise investment scheme and capital gains tax reinvestment relief, and by closing loopholes, I am now able to provide more generous, more efficient and better targeted help to encourage venture capital in Britain. I propose a 50 per cent rise in tax relief. From now on investors will be able to secure income tax relief for investment up to £150,000 a year.

But we must also do more to increase the quantity and quality of long-term investment. The capital gains tax regime we inherited rewards the short-term speculator as much as the committed long-term investor. So it is time also for a fundamental reform of capital gains tax.

In a low inflation environment a complex system of indexation is no longer necessary. Indexation will continue until April 1998 and will then be frozen. The annual exempt amount will rise in line with prices. And, following extensive consultation, I have decided to phase out complex allowances and instead will introduce a new structure of capital gains tax which will explicitly reward long-term investment and is based on a downward taper and lower tax rates.

The short-term rate of capital gains tax will remain at 40p. For investors holding non-business assets, who invest for ten years, the rate of capital gains tax will fall from 40p to 24p.

For those who build businesses or stake their own hard-earned money in them, the long-term rate will be reduced even more from 40p to 10p, the lowest rate ever

achieved. So with a 30p main rate of corporation tax; a 20p rate for small companies; a 10p long-term rate for capital gains tax; this Government today sends a clear signal of support for enterprise to those who invest in the UK. My message to business is — when you are ready to start out, start up, start investing or start hiring — this Government is on your side.

### SAVINGS

When half the population have only £200 or less in savings, there is broad agreement that we must do more to encourage savings by everyone.

There is broad agreement also that an easy to access individual savings account, available over the counter in supermarkets and post offices as well as from banks, building societies and financial services providers, can encourage the savings habit among many more people.

I can now report the conclusion from our consultation on the individual savings account.

First, the individual savings account will, as promised, offer complete freedom to move cash in and out and so savers know their cash will always be accessible when they need it.

Second, in response to suggestions from prospective providers, the cash holding for the first year of the new product will be raised to £3,000.

Third, the individual savings account will receive a ten-year guarantee that savings of up to £5,000 a year can be invested with all existing tax reliefs.

And fourth, even when new Tassas and contributions to Peps cease next year the entirety of capital accumulated in them will be able to continue, with all the accumulated gains, to enjoy tax reliefs.

There is, of course, no retrospective element. Whatever accumulated capital there is will remain entirely free of tax, so existing Peps holders will be able to keep their



MICHAEL BENNETT/DAVID DRIVER/CHRIS HARRIS



# BUDGET 98

## by doing more to help low earners up the 'ladder of opportunity'

accumulated savings free of capital gains tax and, at the same time, they will be able to save an additional, tax-free £5,000 each year in the new ISA.

### WORK

Just as the modern tax system should encourage investment, so too the tax and benefit system should reflect the value we place upon the responsibilities and rewards of work.

For far too long too many men and women in our country have found themselves working harder and longer, and have still been unable to lift themselves and their families out of poverty into even modest prosperity. And, for too long we have done too little to help those who work hard to advance up the ladder of opportunity from lower-income into middle-income jobs, and upwards.

The cap on aspirations must now be lifted. While Budgets in the Eighties acknowledged the need for incentives, the incentives given to the few ignored the even greater problem of disincentives for the many. So it is time to reward the efforts of those who want to work their way up.

First, welfare reform through Welfare to Work. The "new deal" is the most ambitious programme of employment opportunities our country has seen. From April 6, every young person unemployed for more than six months will have the offer of work or training. From now on, no young person will be without opportunity.

It is now time to take two further steps that broaden the scope and ambition of the "new deal", steps which will open up new opportunities to every long-term unemployed adult in our country.

From June every one of the 225,000 men and women who have been unemployed for two years or more can benefit from a £75-a-week employers' subsidy which, for them, will be a passport to work. But the Government is determined to do more and we will offer — initially to 70,000 men and women — an individual service of expert help and advice to find work. In this way we take another step forward in tackling long-term unemployment in our country.

Past employment programmes have helped men but often ignored employment opportunities for women. From this year, the "new deal" will be extended to thousands of women, previously denied chances of work. It will do this in three ways. First, for a quarter of a

million women, who are partners of unemployed men, we will offer expert and personalised help to find work through pilot programmes to be launched in every region of Britain at a cost of another £60 million paid from the windfall tax.

Second, the Secretary of State for Social Security will announce next week that expert help will now be available on a national basis for all lone parents who want to work and whose children are at school. And we will implement a 12-week linking rule so that they do not risk losing benefits as a result of a brief period of work.

And third, partners of the unemployed under 25 without children, who are not allowed to register as unemployed, will now be given exactly the same opportunities for training and work that others under 25 now enjoy. With these proposals, equality of employment opportunity for women in our country is now far closer to becoming a reality.

Unemployment blights not just individuals' lives, but whole communities. So we need a "new deal" for communities which recognises that the answer to social exclusion is economic opportunity. Working with the social exclusion unit, the Deputy Prime Minister and other ministers will announce a series of Pathfinder projects that will put employment at the centre of initiatives to improve education, health, and other services in our poorest communities.

But there is one group of young people who are the most excluded and most discouraged: young people who find themselves homeless. These vulnerable young people do not just need homes; they need jobs. So I want help to be linked to training and preparing them for jobs.

Today £50 million is being channelled to help enhance the advice available to the most disadvantaged young people and to create a nationwide network of mentors ready and willing to help advise and motivate young people who could get back to work.

But we must do more. Today, whilst many are unemployed, extensive skill shortages hold back our economy. I can also announce extra help in this Budget to promote investment in skills and lifelong learning.

But our priority must be to provide training in computers, high technology skills, not least to help prepare for the millennium.

Over £100 million extra will be allocated in the coming year to tackle the skills gaps in Britain. The

Secretary of State for Education and Employment will announce details of this new skills initiative for Britain. Our review of post-16 benefits and maintenance will continue along the lines we have already set down.

Having provided new opportunities for work, it is now time to create a modern tax system that will help create jobs. So I want to announce today a tax reform to cut the costs of hiring at the wage levels where most new jobs are created. I want to make it easier for companies who are prepared to take on young people looking for a first step on the ladder of employment; and to take on men and women who want to return to work.

### TAX REFORM

The tax and benefit task force headed by Martin Taylor of Barclays will publish its full report this afternoon. I am sure that the whole House will join me in thanking him for the work he has done. One of his central recommendations — on which he has already consulted employers — is for a simpler, fairer and more employment-friendly national insurance system. One that makes it easier for employers to hire new employees, and one that also cuts the costs and red tape associated with the two separate and un-

aligned systems of income tax and national insurance.

His proposal is to restructure employers' national insurance on a revenue-neutral basis — which for business as a whole, will involve no additional cost. And to set a rate of employer's national insurance of 12.2 per cent, but only after the first £81 of wages.

I have accepted these proposals. From next year the Government will abolish the distorting entry fee for employers' national insurance. We will abolish the multiplicity of separate national insurance rates. We will cut the cost of hiring lower paid employees. Employers will now pay no national insurance on any employee earning less than the starting point of the personal tax allowance, £51 a week. The right to benefit for all employees earning between £64 and £51 a week will be upheld in all the changes we make.

With these changes we are cutting the costs to business of employing 13 million lower paid employees. We are taking up to one million of the lowest paid employees out of employers' tax altogether. And we are cutting the cost of hiring someone on half average earnings by over £250 a year.

The Taylor Report also recommends similar changes to national insurance contributions for the self-employed. And I will look at these proposals carefully. Employers and

employees will also benefit from a further institutional reform: the establishment of a single organisation to deal with both income tax and national insurance. The Secretary of State for Social Security and I have agreed that the contributions agency will be transferred to the Inland Revenue with effect from April 1999. This is a Government which does not simply talk about cutting the costs of bureaucracy and red tape but takes the decisive action necessary to achieve it.

Welfare to Work is stage one of the reform of the welfare state. This Budget moves us today into stage two — ensuring work pays more than benefits and raising the rewards from work.

When it is right for the economy I will introduce a top starting rate of income tax. Today I announce a tax cut for hundreds of thousands of working families on low income and we will do it through the introduction of a new working families tax credit from October 1999. Under the present system of family credit there is, quite simply, a ceiling on aspirations for women and for men wanting to work their way up. In Britain today there are nearly three-quarters of a million working families held back by marginal tax rates in excess of 70 per cent. There are nearly half a million working families, with children, whose pay is so low that

they receive in-work benefits and yet still are required to pay income tax. The working families tax credit will not only be a tax cut for hundreds of thousands of working men and women with children but it will abolish the grotesque distortion where some low-paid employees have had to pay back more than a pound for every extra pound they earn.

Instead of the State paying out benefits through the social security system to working families on low incomes, in future they will receive cash directly through the tax system. And families will be able to choose to whom the credit is paid — either directly or through the pay packet.

By tackling the unemployment trap, and by increasing the help available to families, the working families tax credit ensures that work will pay more than benefits. And by tackling the poverty trap — through cutting the rate at which help is withdrawn as incomes rise, the working families tax credit ensures that the more you earn the more you take home.

And I say to those who can work: this is our "new deal". Your responsibility is to seek work. My guarantee is that if you work, work will pay. And let me spell out in hard cash the difference this guarantee will make. For families where someone works full-time there is now a guaranteed income of at least £180 a week. And to the same working family a second guarantee, that no income tax at all will be paid on earnings below £230 a week.

This Government inherited a tax system whereby a family with two children paid tax even when they earned only 25 per cent of average earnings. Now they will have no income tax bill until they earn over 50 per cent of average earnings — a transformation in the rewards for work in our country. And because in future work will pay, those with an offer of work can have no excuse for staying at home on benefits.

I said in the last Budget that in the new Britain everyone had a contribution to make. Now, with these new guarantees for working families I can also say: in the new Britain, for millions more people, we will make work pay.

I have one further tax and benefit integration to announce. For decades thousands of disabled people have been denied a basic right — the right to work. And the tax and benefit system is one of the barriers denying them opportunities.

As a Government we will never compel to work disabled men and women who cannot work, and for those who want to work we will systematically remove the obstacles that at present prevent them from achieving their potential. So alongside the working families tax credit the Government will introduce a new tax credit for disabled people — paid through the wage packet. And a new 12-month linking rule to improve the incentives for those on long-term benefits to take a job. Together these measures will ensure higher rewards for disabled men and women entering work — making work pay.

Today I also want to make one further change which sends a signal to every employee in the country about the importance the Government attaches to work and fair rewards from work. For men and women on lower incomes, middle incomes and upper incomes, right up the income scale.

We said at the election that we would not raise the basic or top rate of income tax. And we will keep this promise, not just for one year, but for the Parliament. But I am abolishing the perverse entry fee every employee pays to be part of the national insurance system and in doing so I am cutting national insurance for every employee in the country.

Future reforms will also ensure that no one pays national insurance for the first £81 of their weekly earnings. All employees earning between £64 and £81 will have their rights to benefits protected.

So, from next April, 20 million employees will benefit by paying £1.28 a week, or £66 a year less in national insurance. This is not just a tax cut for lower income Britain, it is a tax cut for middle income Britain, a tax cut for everyone in work.

Our reforms today signal the biggest change in the structure of national insurance for a generation. And I have one further change that will make thousands of men and women better off, and in particular make a difference to family incomes.

For too many parents, the costs of childcare has meant either that parents cannot afford to work or find themselves paying out most of their wages on the costs of childcare. So we will introduce a new childcare tax credit as part of the working families tax credit, and put high quality child care within the reach of people who have never been able to afford it.

For spending on childcare of up to £100 a week for the first child and £150 for two or more children, the new tax credit will cover as much as 70 per cent of the cost.

And the rules we draw up, which will be reviewed after two years of experience, will be designed to ensure that parents have access to high quality child care; child-minders, day nurseries and out of school clubs.

A change that today makes a

reality of choice for hard-working families previously denied it: childcare will from now on be affordable for the many and not just the few.

### FAMILY SUPPORT

Families are the bedrock of a stable and healthy society. And in a fast-changing economy — with its uncertainties and vulnerabilities — families, now more than ever, need the security of support when bringing up children.

Family values means we value families, all families. So our economic policy must not only encourage a stable and healthy society based on mutual rights and responsibilities but directly support families as they bring up children.

This is not just for the four million children growing up in poverty in Britain today, but for every child who should have the best opportunities. But the system of child, and indeed family, support this Government has inherited is confused in its aims and contradictory in its impact, and it must be reformed on the basis of clear objectives. And the starting point in 1998 is exactly the same as stated by Beveridge in 1942: "That nothing should be done to remove from parents the responsibility of maintaining their children and that it is in the national interest to help parents to discharge that responsibility properly."

But we implement these objectives in a changed economy where parents now are trying to strike the right balance between work and family responsibilities. And in this new context I believe that we must do more to encourage family-friendly employment that will help children and their parents. That is why, as part of the social chapter, we will legislate to guarantee unpaid parental leave and I am pleased to confirm that the CBI are in support of this endeavour.

Giving children the best start in life requires good schools, good health services, good childcare, good public services as well as cash help. As a country we invest around £10 billion a year in a wide range of services for young children. And for the first time, a broad-based review of how we can integrate the whole range of services involved in the support and care of young children and their families is being carried out and proposals will be announced with our spending review in the summer.

**‘Giving a child the best start in life takes more than money, but it cannot be done without money’**

Giving a child the best start in life takes more than money, but it cannot be done without money. And I believe that child benefit remains the fairest, the most efficient and the most cost-effective way of recognising the extra costs and responsibilities borne by all parents. And raising it allows us to do more for mothers who choose to be at home, working at home bringing up their children.

To underpin this view, that child benefit is society's support for, and investment in, the upbringing of children, child benefit should remain and will remain universal where it is already universal and it should be paid, as now, directly to the mother.

So future support for children will be built upon universal child benefit and I am convinced of the case for raising its level. But after careful examination there are three complementary changes I believe we should make.

First, we all know circumstances dictate that some families need more help than others. And that the case for additional support for children in poorer families is strong, but that support should be on the basis of the identifiable needs of children, not on whether there happens to be one parent rather than two. There is, in my view, no case for a one parent benefit and we will not return to that. Additional support should be provided not on the basis of family structure but on the basis of family need.

Second, our benefits system provides less help for children when families need it most — in the early years. Low-income families on benefit in or out of work receive £8 a week less for a child under 11 than a child over 11.

This distinction does not reflect the high costs of the early years, and takes no account of the costs to mothers of staying at home when their children are young or of the extra costs of child care if mothers are working. So it is time to do more for children under 11.

To achieve our goals we must look more broadly at the current approach to children and families in the tax system. The State pays a tax allowance to married couples. But the State pays exactly the same amount at exactly the same rate to

Continued on page 18



# BUDGET 98

## Hague accuses Labour of betraying the nation

BY POLLY NEWTON  
POLITICAL REPORTER

### LEADER OF THE OPPOSITION

**WILLIAM HAGUE** condemned Gordon Brown's second Budget since Labour came to power as the latest instalment of a "step-by-step betrayal of Britain".

The Tory leader claimed that a typical family was £798 a year worse off than under the previous Government because of measures introduced by Mr Brown since the election.

Responding to the Budget speech, Mr Hague told the Commons: "Nothing the Chancellor has done today remotely compensates for the price people have already paid over the last few months for a Labour Government."

Women and children had been betrayed by proposals to tax child benefit, and businesses had been betrayed by tax increases amounting to £22 billion since last May.

"And there has been a betrayal of rural areas, for all your cosmetic gimmicks today, by a Labour Party that posed as a friend of the countryside and has today added to the cost of people in rural areas with an additional tax hike on petrol."

Labour had inherited a "golden economic legacy", which the Chancellor had a duty to protect, but the manufacturing sector was on the brink of recession. "If those figures turn into recession,

it will be a recession made in Downing Street."

Mr Hague welcomed the cut in corporation tax and new incentives to encourage research and development in Britain's universities. He said that changes to capital gains tax copied Tory policies, but were less ambitious than proposals put forward by the Shadow Chancellor, Peter Lilley.

He demanded to know when Mr Brown would introduce the promised 10p starting rate of

credit with the working families' tax credit would increase the number of people tangled up in the benefits system and push up the welfare bill. "In order to redeem a pledge to reform welfare, the Chancellor has devised an extremely complex system which I think he hopes none of the commentators will understand."

Labour had pledged to reform the welfare state, he said. "But it is now clear that they came to power with a heap of promises,

likely to take people on if it cost them less. That was at odds with plans for a minimum wage."

Mr Hague claimed that even after the extra money announced for the NHS, the increase in spending by Labour on health services would be below the average achieved by the Tories. It would have been a "national scandal" if the Government had not allocated extra money for the NHS.

Paddy Ashdown, the Liberal Democrat leader, described the Chancellor's statement as a "tingers-crossed, hope-for-the-best Budget." "This is not a bad Budget. In fact it could become, if the details turn out to be appropriate, rather a good Budget in the long term."

"But it does too little still to correct the underfunding of public services, too little to make serious progress on the Government's environmental aims and too little to correct the unhealthy reliance on 'one club' interest-rate-only economics."

Mr Ashdown said that Mr Brown had made two "major mistakes" that continued to hamper his handling of the economy. The first was Labour's promise not to put up income tax and the second the decision to rule out early entry into a European single currency.

"Once again, the sensible management of the British economy has fallen prey to electoral promises."

**They came to power with a heap of promises, a lorry-load of clichés but nothing resembling a plan**

income tax, saying that the Tories would support the policy whenever it was implemented.

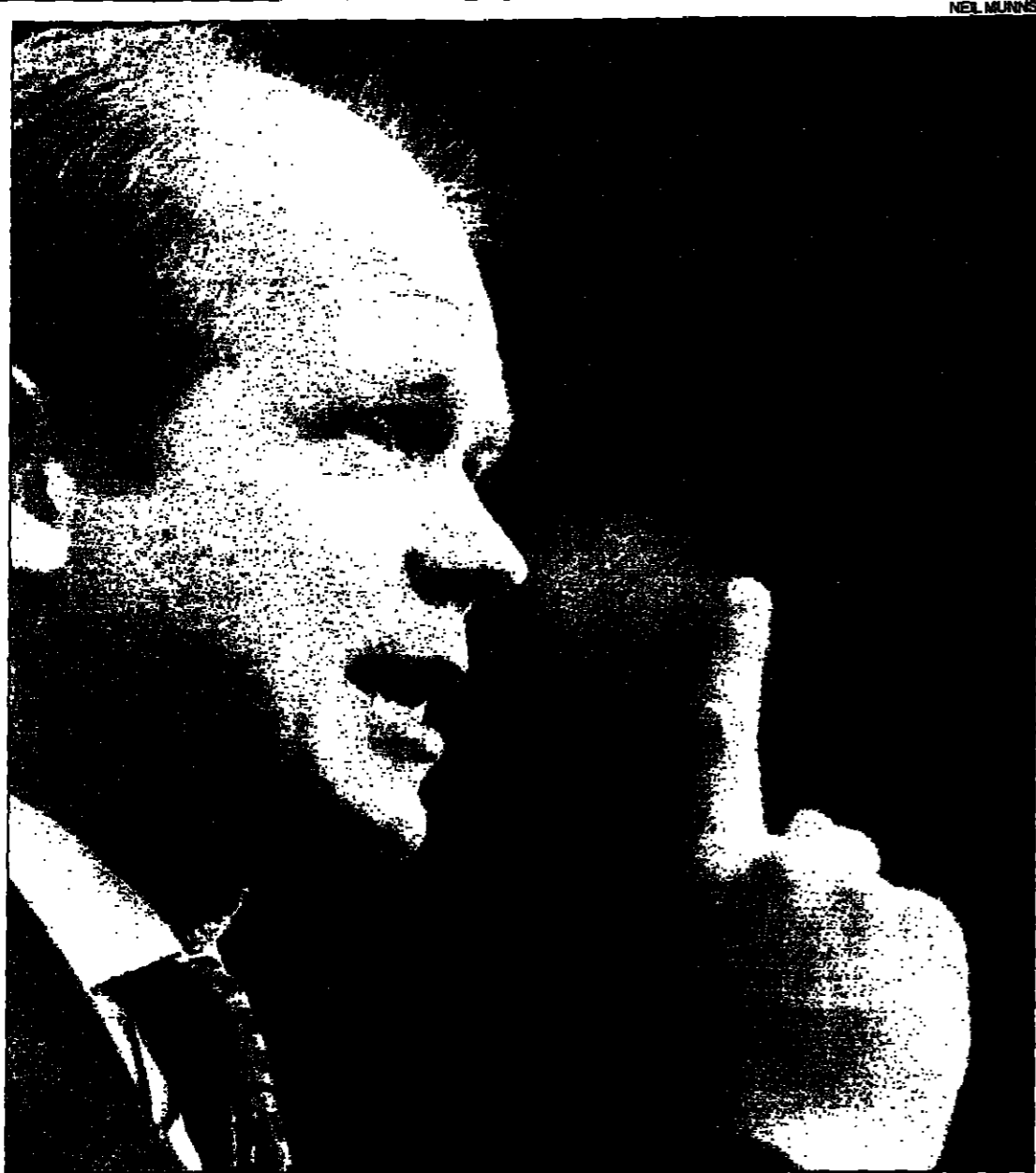
Referring to the Government's decision not to tax retrospectively savings over £50,000 held in personal equity plans and tax-exempt special savings accounts, Mr Hague said: "I am glad we have forced the Government into a humiliating U-turn."

However, the damage had been done. "Savers now know that the Labour Party have an instinct for retrospective taxing."

A lorry-load of clichés but nothing resembling a plan."

Mr Hague asked whether the measures to close tax loopholes offered by offshore trust funds would affect the Paymaster General, Geoffrey Robinson, a discretionary beneficiary of such a trust. "Will the minister for tax avoidance continue to avoid fact? We suspect that he might."

He said that the decision to abolish National Insurance contributions on earnings under £81 a week was an acknowledgment that employers were more



William Hague said that manufacturing was on the brink of a recession made in Downing Street

From page 17 unmarried couples with children whether or not they have ever been married. The State pays exactly the same amount at the same rate as married couples and indeed the State actually pays the same amount for up to a year to couples who separate or divorce and does so whether they have children or not.

Such is the confusion of the current system that if a married couple with children split up, both man and woman can each receive the equivalent of a full married couple's allowance for up to a year. So, separated, they can actually receive up to twice the allowance of a married couple. And

the only way to make sense of the chaotic system is to make our primary aim that of supporting families through supporting children. That is why from next year we propose to raise child benefit by reducing these allowances, now paid at 15 per cent to 10 per cent. This change will not affect any elderly taxpayer, whose extra allowances will be protected.

I have therefore decided that from next April, for the first child, child benefit will be raised by more than 20 per cent, a £250-a-week rise in child benefit. This is in addition to the normal uprating for inflation. At £130 extra per year, this is the biggest increase we have seen in child

benefit. These changes will be fully reflected in the family premium for income support.

It is the right thing to do to support and strengthen families in our country. And, from November this year, for those on income support and family credit, child support for the under 11s will be raised by an additional £250-a-week, so that the needs of Britain's youngest and poorest children are properly recognised.

With these measures we can give every child a better start. And I believe that in future years we can and should do even more. And for those who want to see child benefit raised in future years the question undoubtedly arises as to whether it should be taxed for

those at the top of the income scale.

It must be right in principle that if child benefit is raised in future, then there is a case for higher rate taxpayers paying tax on it. Following the children's review we will bring forward detailed recommendations for reform.

I have one further announcement: for hundreds of thousands of men and women, care within the family extends beyond caring for children to caring for disabled or elderly relatives. So valuing families means valuing spouses, grandparents, and all the carers who contribute to the family. As a first step to recognising the importance of carers within the family, I can

today announce I am ending an injustice that the previous Government tolerated. The tax allowance which has been available only to men with children whose wives are incapacitated will now be extended to mothers with dependent children and incapacitated husbands. And because of the importance I attach to ending this unfairness I will backdate this additional help to April 1997.

### ENVIRONMENT

I now turn to the environment. The Kyoto summit was a landmark for international agreements on the environment and the work of the Deputy Prime Minister in securing agreement has been widely applauded. Having signed up to an 8 per cent reduction in European Union carbon emissions we are determined to play our part — nationally and internationally — in meeting that target. And in these important policy decisions which affect generations ahead there will be proper information, openness and full prior consultation.

First, I can confirm today that VAT on the installation of energy saving materials funded under certain government grant schemes will be cut from 17 per cent to 5 per cent, helping to insulate 40,000 more homes a year. We are pursuing with our European partners a wider range of energy saving materials funded under certain government grant schemes will be cut from 17 per cent to 5 per cent, helping to insulate 40,000 more homes a year. We are pursuing with our European partners a wider range of energy saving materials funded under certain government grant schemes will be cut from 17 per cent to 5 per cent, helping to insulate 40,000 more homes a year.

There has been increasing pressure, not least from businesses themselves, for measures that encourage greater energy efficiency in industry. I am grateful to Sir Colin Marshall, the chairman of British Airways and until July, President of the CBI, for agreeing to head a government review into economic instruments to improve the industrial and commercial use of energy. This will include a study of whether or not new economic instruments, such as an industrial energy tax and/or other market mechanisms, should be introduced to help curb industrial emissions; and if so, how.

Concern for the environment is of course not limited to use of energy. Last year we commissioned work on the environmental costs of the quarrying of aggregates and on the options for dealing with water pollution. Detailed results on aggregates will be published in the near future by the Environment Minister. But we already know that we need to do more to reduce the amount of waste going to landfill. So I will raise the standard rate on active waste from £7 to £10 per tonne from April 1, 1999. But consistent with our environmental objectives, from October next year I am exempting from landfill tax the inert waste used in the restoration of sites.

Road transport is the fastest growing source of carbon emissions. So we need a more balanced transport policy. The Government therefore proposes to make two major environmental-led changes to long-term transport policy today.

The quantity and the quality of public transport must be improved. So I am pleased to announce that over the coming three years, as a result of

this Budget, a total of over £500 million additional money will be invested in public transport. The Deputy Prime Minister will announce the details later in the week.

But today I can announce a £50-million-a-year rural transport fund. Three-quarters of rural parishes and communities have no bus service.

Our aim must be to extend the range of transport services throughout the country. So this fund will invite applications from rural communities who want to improve local transport. And as an added incentive I will increase the rebate on fuel paid to bus operators to help keep fares down.

The Government recognises that, for many people especially in isolated areas, car ownership is not a choice but a necessity and so I now want to re-balance car taxation so that it falls less on car ownership. And I want to make the change in an environmentally sensitive way.

From January next year, I am cutting the licence fee for lorries and buses with clean engines by up to £500. But I also want to make a major reform of the licence fee for cars. From next year I plan to reduce the fee for cars with the lowest emissions. For the cleanest and smallest cars, I plan to cut the licence fee by £50.

And, as we make the preparations for this long-term environmental change, for this year I propose, at a cost of £145 million, to freeze the licence fee for all vehicles. To encourage lower emissions, the costs of converting company cars to road fuel gases will, from now, be disregarded for income tax purposes. At the same time I am increasing the scale charges for fuel provided by an employer, which will cost the typical company car user around £1 a week. The duty on road fuel gases will be frozen, increasing the incentive to use these cleaner fuels.

The last Government introduced a road fuel escalator, the principle of which we supported. They set it at 5 per cent. Since July it has been 6 per cent. There is agreement that only with the use of an escalator can emission levels be reduced by 2010 towards our commitments.

### FUEL TAX

As a result of the escalator, road fuel tax will rise by 4.4p a litre for unleaded petrol, and for ultra-low sulphur diesel. As is normal, this will take effect on Budget day at 6pm. And to encourage all diesel users to switch to cleaner fuels, ordinary diesel will increase by 1p more than that. These increases will reduce carbon emissions by 1.7 million tonnes of carbon.

Of course the price of petrol will also be affected by movements in oil prices. The oil price has fallen by 25 per cent in the last six months, a benefit enjoyed by oil companies that has yet to be passed on to consumers, especially consumers in rural areas who already pay higher fuel prices. something the Office of Fair Trading is already investigating.

But whatever the short-term

changes in oil prices, the Government has a duty to take a long-term and consistent view of the environmental impact of emissions. And we are today publishing in the Red Book an environmental assessment of our proposals.

I have already said that we will maintain the basic and top rates of tax for this Parliament. As is usual we will increase all income tax allowances, income limits and tax thresholds in line with inflation.

I turn now to this year's Budget decision on mortgage tax relief. I can tell the House that I have decided in this Budget to make no further change in the rate or to make any change to stamp duty on property below £250,000. For property sales above £250,000, stamp duty will be raised to 2 per cent from next Tuesday, and to 3 per cent on property sales above £500,000, a change which leaves 98 per cent of house transactions unaffected.

I had a decision to make also on inheritance tax. Many have put me the case this year for freezing or even cutting the threshold. I have decided to do neither of these things. This year I will raise the threshold for inheritance tax by £3,000. Under this Government there will be no inheritance tax to

**It is because of our prudence that we are able to meet our manifesto promises**

pay on estates below £223,000, 97 per cent of estates will not have to pay inheritance tax. Rules on inheritance tax concerning chattels will be tightened to ensure proper access.

I also want to improve access to our nation's museums and galleries. I have therefore decided that extra money will be made available to help museums and galleries which do not currently charge for admission to maintain free admission in the coming year. As I promised, I will raise revenue over the next three years by closing a number of loopholes, including offshore trusts, a total of £1.5 billion. Next month we will be publishing, and consulting on, draft legislation for a general anti-avoidance rule for direct taxes.

From January 1 next year, alcohol duties will be updated in the normal way, by 1p on a pint of beer and 4p on a bottle of wine. For a bottle of spirits the duty will be frozen at its current level. And I shall be taking action to clamp down on smuggling and fraud.

On tobacco, in line with the commitment I announced last year, the excise duty will rise by 5 per cent above inflation. From December 1 the tax on a packet of 20 cigarettes will rise by just over 20p.

I have had many Budget representations, including many widely publicised campaigns, pressing for new tax

reliefs. I have decided that there is a case for a new tax relief for giving. I want British citizens to be able to contribute more to poverty relief and education in developing countries. For every £100 a British citizen donates, the British Government will contribute up to £40.

### SPENDING

I said that this would be a Budget based on prudence for a purpose and that guides us also in our approach to public spending. When we came into government we said that while we undertook a strategic review of future spending priorities we would work within a two-year ceiling on departmental spending.

The Comprehensive Spending Review — the results of which we will announce this summer — will shape our public spending priorities into the next millennium.

But as a result of the work of the Chief Secretary to the Treasury and as a result also of departmental willingness to root out waste and this year re-allocate resources to our priorities, we have already achieved more than some expected.

£400 million to help pensioners with fuel bills, £1.5 billion to patient care in the NHS, £2 billion to employment, and more than £2 billion to education. Because of our disciplined approach this year we are able to carry over extra money from this year to next. I have already said that public transport will receive an additional £500 million over the next three years.

But ours is prudence for a purpose — to meet the people's priorities. We are determined to improve education all round. So I am allocating for the coming year to education an additional £250 million. Making a total additional commitment to education since we came to power of £2.5 billion. And I can also tell this House that the Secretary of State for Health will make a statement this week. The extra money I announced last July for the NHS comes on stream from next month.

I have decided that this allocation to health of £1.2 billion for next year should today be increased by another £500 million to £1.7 billion. This takes the total additional investment we have provided for the NHS in our first ten months to £2 billion.

The NHS is safe in this Government's hands. Because we will always be prudent, I am allocating £500 million to add to the reserve in 1998-99. It is because of our prudence that we are able to meet our manifesto commitments, reduce the deficit and invest more in transport, education and health.

The ambitions of the British people are once again the ambitions of the British Government. So this is a Budget that by its measures, advances both enterprise and fairness, a Budget that has set new ambitions for Britain. And I commend it to the House.

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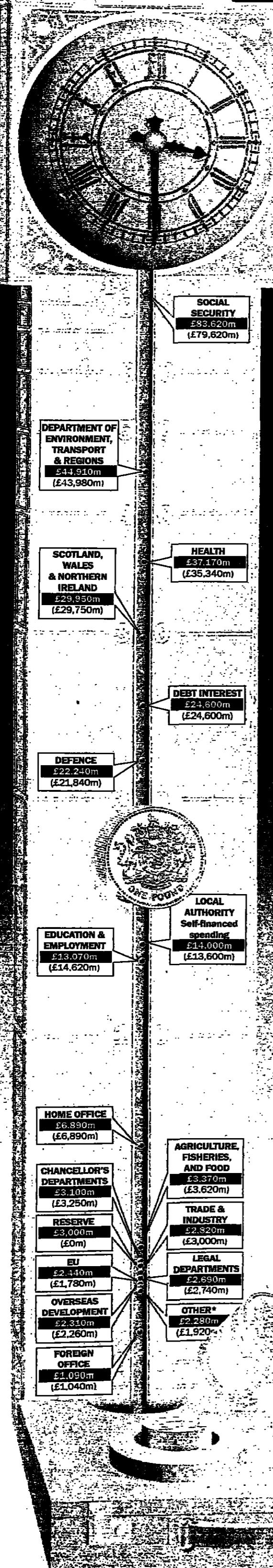
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**TOTAL PUBLIC SPENDING 1998/99**

CONTRL TOTAL  
1998/99 £274,900  
1997/98 £264,100

**KEY**  
DEPARTMENT  
1998/99  
(1997/98)

Public spending divided up according to government department



# NHS staff urge repeat prescriptions of £500m

By IAN MURRAY  
MEDICAL CORRESPONDENT

**HEALTH**

GOVERNMENT embarrassment over the growth in hospital waiting lists since the election helped the National Health Service to gain an extra £500 million.

The new money means that Frank Dobson, the Health Secretary, has received £2 billion over and above Tory spending plans since the election, making him one of the ministers most successful in prising money out of the Chancellor.

Mr Dobson will announce today how the money is to be spent to reduce the number of people waiting for NHS treatment, which has grown by almost 100,000 to 1,262,000 since the election. Part of it will help to keep a post-election pledge to provide care for all cancer patients within two weeks of the disease being diagnosed.

Healthcare groups welcomed the cash, but said they were worried the Government still did not have a proper long-term vision of the funding required to assure the NHS's future. The British Medical Association, which has been campaigning for an

extra £1 billion a year until 2001 to bring the NHS up to date, gave a grudging welcome to the extra money. Doctors' leaders are still angry that the Government decided to give their pay award this year in stages, which they say reduces its value by about 2 per cent. The association also fears that the extra money will not be repeated.

"We appreciate that the Chancellor's fiscal prudence is in the general public interest, although the provocative staging of this year's pay awards was surely unnecessary," Sandy Macara, chairman of the association, said. "It is also in the public interest to put the NHS on a stable long-term financial footing. This is what the public repeatedly says it wants and would be prepared to pay for."

Dr Macara said he hoped the strong case for more funding would be acknowledged by the Government's comprehensive spending review, which is due to be completed this summer. "We simply cannot continue with this Chinese slow-torture approach of a drip injection of

funds into the NHS," Dr Macara said. Nevertheless, he said the extra money should make it possible to "allow thousands of people who are suffering pain or disability to be treated more quickly".

The Institute of Health Services Management, which has been strongly critical of government plans to cut management costs by £200 million a year, also said that the extra funding should not be a one-off. "Three cheers for the Chancellor and his commitment to spend vital resources on the health service," Suzanne Tyler, the institute's deputy director, said. "However, extra cash in the form of sporadic top-ups will not solve the critical funding crisis."

Angela Coulter, director of policy development at the King's Fund, the independent health think-tank, said the new money was necessary to implement the Government's White Paper on health, which switches the emphasis from hospital to GP care. "The £500 million will oil the wheels enough to cut waiting lists and give a chance for the White Paper to succeed, but it is going to take a lot more money if it is going to work properly in the end," she said.



Dobson: will use extra money to reduce waiting lists

## Job loss fears in benefits and tax merger

By VALERIE ELLIOTT,  
WEATHERHALL EDITOR

THOUSANDS of public sector workers fear that their jobs are threatened by the Chancellor's announcement of a new tax and contributions office under Inland Revenue control.

The move is seen as the first step towards integrating the tax and benefits system. The changes will affect the 8,000 Contributions Agency staff based mainly at Longbenton, near Newcastle, and 2,000 working on family credit for the Benefits Agency at Preston. Greater Manchester.

The move has been rumoured for months and planning for the merger has been secretly arranged by Steve Banyard, a senior Inland Revenue official. John Denham, Junior Social Security Minister, yesterday wrote to all staff informing them of the proposed change in an attempt to defuse adverse reaction to the plan.

He will join Mr Banyard, and George Bertram, chief executive of the Contributions Agency, at the agency's headquarters today in an attempt to allay the fears of its 5,000 staff. Another 3,000 work in regional offices.

The Public and Commercial Services Union has scheduled a meeting with the chief executive and other Contributions Agency executives for today. The union represents 250,000 workers, including the 57,500 employed by the Contributions Agency and the Inland Revenue.

Bernie Williams, north east regional officer, said: "There are a number of key questions about the security of jobs and the terms, pay and conditions of these jobs. There is also the question of the security of the Longbenton site."

# £250m to bridge the learning gap

By JOHN O'LEARY  
EDUCATION EDITOR

**EDUCATION**

A SURPRISE addition of £250 million to the education budget will enable ministers to increase the number of education action zones to be established next year from five to 25. More are likely to be created before the end of the Parliament.

Local authorities and private organisations are expected to lodge up to 60 bids for zones by the deadline, which passes on Friday.

Those schemes that prove to be successful will receive a £500,000 supplement to their existing schools' budget to encourage innovation in areas

where there is social deprivation and low educational performance.

Existing spending plans allowed for five zones to be created in September, with 20 more to follow in 2000. But David Blunkett, the Education and Employment Secretary, is anxious to approve as many schemes as possible to test variations in the current pattern of provision and spending in state education.

Groupings of about 20 schools will be able to alter the national curriculum and teachers' pay and conditions to stimulate under-achieving

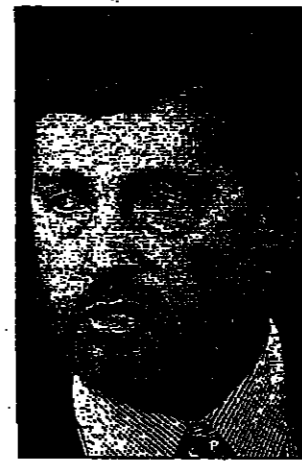
children and attract the best staff.

The new zones will swallow £10 million of the new money that has been allocated by the Chancellor of the Exchequer. Plans for £200 million to be divided between English schools and projects for improving skills in the workforce will be announced in the next few days. The remaining £40 million will be spent in Scotland, Wales and Northern Ireland.

Mr Blunkett said: "This extra funding reinforces the Government's drive to raise standards and to encourage lifelong learning." It brings the extra money allocated to education since Labour took

office to £2.5 billion. Teachers' leaders welcomed the extra cash. Doug McAvoy, general secretary of the National Union of Teachers, said: "The Chancellor's recognition that improvements in education cannot be achieved without money is welcome. £250 million is a start in overcoming the severe materials and resource shortages in our schools."

Graham Lane, education chairman of the Local Government Association, said: "This money is very welcome. The Government is carrying out its pledge to prioritise education. Money alone isn't enough to raise standards, but you certainly can't do so without it."



Blunkett: drive to raise standards reinforced

# Charities cheer extra relief for Third World

By EMMA WILKINS

**CHARITIES**

CHARITIES were delighted yesterday with the announcement of tax relief on donations to developing countries. Emphasising his commitment to the elimination of Third World debt, Gordon Brown said that for every £100 donated, the Government would now repay up to £40 in tax.

"I want the millennium to be remembered not just nationally but internationally for the redemption of debt and the reduction of world poverty," he said.

At Oxfam, which has an annual income of £91.8 million, fundraisers were delighted. It is estimated that the tax break will provide the charity with an extra £200,000 a year — the equivalent of the charity's entire grant project in Indonesia.

"We are very pleased indeed. It's marvellous news," said Olive Gearing, the charity's spokeswoman.

"We think it's an excellent initiative for helping to reduce

Third World poverty. We're also pleased that it is not just for one-off donations of £100 but allows the donor to contribute in instalments — that means people on lower incomes will be able to give."

At The Save the Children Fund, which has an annual income of £72.7 million, fundraisers were similarly pleased. The idea for the tax relief had first been suggested by the Chancellor last December and was not wholly unexpected, said Nick Kavanagh, marketing director.

"It's good news for us. It will have a direct effect on the amount of money we are able to put into projects in countries like Afghanistan, Zimbabwe and Rwanda," he said.

"We have been discussing the idea with the Inland Revenue since last December, when the Chancellor first raised it. There is a long way to go in terms of charities and the current tax review but this is definitely a step in the right direction."

## Delay for the professionals

A year's delay in the introduction of a controversial system for collecting tax from lawyers and other professionals was welcomed by the Bar and Law Society yesterday. Professionals will be taxed on the basis of work in progress and billed, whether or not fees have been received. The Law Society described the plan as a "needed change" in which some small firms would have to pay tax up-front on money they may not receive for up to 18 months.

Thought for the day

**Gordon Brown, Barnett!**

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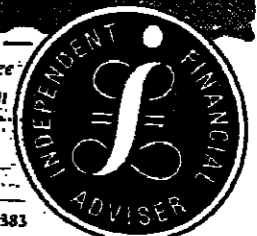
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# BUDGET 98

## Enough to make a Yorkshireman grumble into his bitter



**H**erbert Trulove, known to his pals in *Last of the Summer Wine* as Truly, will be chewing over the Budget with Compo and Clegg in Ivy's café this morning. It might take the old codgers all day to come up with a verdict, and there will be grumbles aplenty along the way, but Truly should not have many complaints. After his divorce, in which his wife got the house, he rents a little place in the former textiles town of Holmfirth in West Yorkshire but lives quite comfortably on his policeman's pension. He does not smoke or drive. But in the absence of a tax on tea drinkers and old men who behave like children, he does have one major gripe: the 1p increase on a pint of beer. It may not seem much, except to a Yorkshireman who has spent a lifetime drinking bitter to excess.



**B**rian and Jennifer Aldridge uncorked a bottle of duty-frozen whisky at Home Farm, Ambridge, last night to toast Gordon Brown, friend of the entrepreneur. Brian's involvement with the Borchester Land consortium to buy the Berron estate from Simon Pemberton is beginning to look good, with corporation tax held at 30p or less. No car tax increase on the Range Rover and, as a substantial landowner, Brian is unlikely to swap it for a super-clean Ford Ka just to save £50 on his tax disc. Less affluent residents are sceptical of the £50 million-a-year rural transport fund. Brian's pregnant, but unmarried, daughter Kate will be less of a burden on her parents, with child benefit about to rise by £2.50 a week above inflation. If his eldest son, Adam, should ever succeed to the Aldridge acres, the raised inheritance tax threshold of £23,000 will cut his tax liabilities.



**R**elief was palpable at the *Peak Practice* surgery last night. Dr Shearer's crippling mortgage, which soaks up far more of his £60,000 salary than he would like, is safe from any removal of tax relief and there is no increase in car tax on his Mercedes or wife Clare's Volvo. Manic-depressive Clare, now pregnant with her third child, can take comfort from the fact that her poorly paid part-time job at the local daycare centre is now more likely to be kept open for her after the birth, with the cost to employers of hiring the low-paid set to fall by £250 a year. David is left wondering if any of the extra £500 million for the NHS will come his way, particularly to cover the 4.4p per litre increase in unleaded petrol. He is also far from convinced that an extra 20p on a packet of cigarettes will be sufficient to deter his patients still addicted to the weed.



**I**an Beale, 28, the tortured, cuckolded entrepreneur of Albert Square, saw the Budget as a game of two halves. As the owner of three fish and chip shops and a catering company, The Meal Machine, he is one of the EastEnders' financial successes and will have welcomed the 1 per cent cut in capital gains tax for small businesses, and the reduction on the national insurance contributions that he stumps up for his low-paid workers. However, his relative wealth may mean that he will now be liable to the mooted tax on child benefit, which he receives for the three children he cares for pending the outcome of custody proceedings involving his estranged wife, Cindy. The addition of 4.4p on unleaded fuel will hit Ian, who drives a Volvo estate, fairly hard. However, the extra penny on his pint at the Old Vic is less than he had expected.



**L**ouise, the blonde half of *Chance*, will not notice much change to her way of life. She is single, in her early thirties and working as a freelance jewellery designer, and the rise in the first-year capital allowance should help her fledgling business take off. Having a small, fuel-efficient car, she will pay £50 less for her annual car tax disc. The freeing of Miras will mean a modest saving on the mortgage on her flat but the 4p on a bottle of wine will soon amount to quite a bit as the Chardonnay bottles pile up by the door. She is grateful that, unlike many of her friends, she does not smoke and will not have to pay the extra 20p on a packet of cigarettes. Dishy Gordon is an absolute saint for not imposing a similar increase on chocolate.



**S**ingle mother Fiona Middleton, 21, has been starting to find her feet after being dumped by Alan McKenna. She is determined to bring up their baby, Morgan, without financial help from him, while snipping the hair of Coronation Street residents. The 20 per cent increase in child benefit of £2.50 a week over and above inflation for the first child will be a boon. She may also be heartened that the new childcare tax credit — for those who earn up to £14,000 a year — will cover as much as 70 per cent of those costs up to £100 a week for a first child. But one should not bet against Fiona snipping and curbing her way to a small hairdressing empire. She will therefore be happy that employers' national insurance contributions will be cut to 12.2 per cent after 81 of wages from next year.

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## Suitor lets Prudence run away with him

**I**t was a Budget for Reproduction. Gordon Brown, our Scot that he is, finds it hard to express emotion; but this must be the first time in history that a boy has become Chancellor just to let a girl know how he feels. This Budget was a coded love-note to Gordon's girlfriend: *Skip the nuptials: let's start a family, Sarah.*

Like any nervous suitor, Mr Brown was wan, folding and unfolding his hands. But why did the jealous younger brother, Tony Blair, look so dreadful? Sallow and drawn, his face puckered by anxiety and a cartoon frown — two vertical parallel lines — the Prime Minister sat knotted with tension throughout: an upper lip and disembodied frown suspended between two fawn's ears beneath a parched tuft of hair. Frown appeared on other faces as Mr Brown failed to explain satisfactorily, even to pundits, his tax credit schemes for "the poorest" families. How will a section of the population Mr Blair says the Tories have left mostly illiterate fill in their returns? They may have to hire accountants.

Possibly Geoffrey Robinson thinks everyone has an accountant already. Perhaps aware that this speech was going nowhere exciting, the Chancellor decorated it with bold keynote phrases. The problem was that he seemed unable to decide which keynote was the keynote: there were so many. It was as though Brown had put his speech out to tender, a dozen spin-consultants had submitted proposed "messages" and, unable to decide between them, the Chancellor

had thrown each pitch in — once. We began with "New Ambition" (repeated eight times in the first few minutes — after which the phrase disappeared, never to return). Next came "not just the few but the many", which made two early appearances and limped back for a final bow near the end. "Boom and bust", an old favourite, sur-



old Budget trouper, "Prudence and Stability", sailed in to applause, and were then written out of the script through "Prudence with a Purpose" was allowed one curtain-call. Finally, "The People's Priorities" came on during the final scene — but too late for us to learn the tune. As an exercise in message-projection you might compare this Budget (as you might compare this Government) to one of those symphonies by modern classical composers on Radio 3: a variety of moods, themes, half-times — nothing

you can whistle — are ventured, toyed with, never really developed, and finally dropped. You never quite get into the swing of it.

The imagery amounted to a series of striking constructions, unlinked by anything likely to satisfy the building regulations. Brown's brave new world sounded like a fiendish computer game.

We begin by crawling from the poverty trap in nappies, but wearing the cap of aspirations. Destructive of making our

ascend from the bedrock of a stable and healthy society, we choose between the ladder of opportunity and the road fuel escalator — taking care to avoid the downward taper. Having prudently locked in the fiscal tightening, we arrive panting at the narrow space between the platform of stability and the ceiling on aspirations, where we perform, to our hearts' content, the virtuous circle.

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By CAROL MIDDLEY  
MEDIA CORRESPONDENT

PETER SNOW'S gaudy orange shirt became the symbol yesterday for television's growing campaign to make politics appeal to a mass audience.

The BBC and ITV battled it out to provide the most informal, viewer-friendly Budget coverage in broadcasting history, avoiding the usual army of politicians and analysts suspected of making viewers switch off in the past.

While the BBC had Snow and David Dimbleby outlining the Budget in their shirt-sleeves, ITV opted for the showbiz approach. In place of accountants, they chose Richard Branson and the agony aunt Claire Rayner to sit on a sofa and explain how Gordon Brown's changes would affect ordinary people.

An extensive review of the BBC's news coverage has found that viewers see much of it as too "stuffy" and of no relevance to their lives. Editors are under orders to popularise serious issues by making them more people-led, without losing the intellectual content.

ITV had not broadcast the Budget for four years, responding to apathy from viewers. Yesterday it revived its coverage with a programme designed to provide what it called a "refreshing, down-to-earth, nuts-and-bolts" service. "The reality is that we have to make news entertaining now," an insider said.

The BBC put live cameras in the living rooms of seven families in Edinburgh, London, Newcastle upon Tyne, Preston, Leicester, Lowestoft and Bristol, in its biggest and most expensive Budget operation.

Samir Shah, head of political programmes, said: "BBC



Peter Snow demonstrating BBC street credibility

researchers spent hours touring shops in Maida Vale, West London, to find a suitable Asian family with their own business.

A total of more than ten million people were expected to have watched the Budget on live television.

David Dimbleby said: "The BBC's Budget coverage has become much more informal in recent years. We have wonderful graphics and real families to make it more accessible to the viewer at home.

"We used to have chartered accountants talking about the tax changes and it was all rather dry. Now we are all in our shirt-sleeves. There are no men in grey suits. We are not seeing these sort of events as less important, but we are treating them as less grand and formal."

Steve Anderson, ITV controller of news and current affairs, said: "Our programme is tuned to the needs of our viewers, rather than simply having MPs standing on College Green [Westminster] talking politics."

The Budget is one of those great occasions which should include everyone, but until now the people who actually pay for it have tended to be excluded.

"Our coverage is completely different to the standard fare dominated by politicians and City analysts. We are also the only main channel covering the Budget live. The BBC has relegated it to BBC2."

## Free admission carries a £9m fee

By DALYA ALBERGE  
ARTS CORRESPONDENT

A £9 MILLION sum to stave off admission charges at some of Britain's greatest national and regional museums was announced in the Budget.

Of that sum, the National Gallery, National Portrait Gallery, Tate, British Museum and the Wallace Collection, will get £2 million. In addition, £5 million is being offered to increase access to opera, dance and theatre.

But representatives of the museum community said that as a special access

**MUSEUMS AND THEATRE**

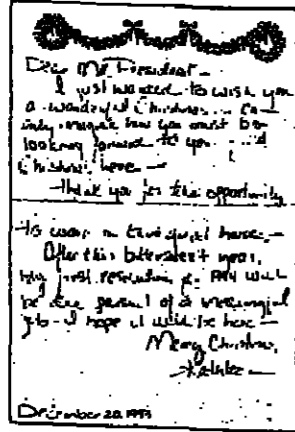
fund of £5 million within that £9 million package had been announced last December, the Budget brought additional funds of just £4 million for museums.

One museum director said: "The whole thing is a damp squib." Another noted that the Government feared an outcry if another museum was forced to introduce charging. David Barrie, the director of the National Art Collections Fund, said: "Any extra money is welcome. But frankly this looks more like a stop-gap

The big question is whether this announcement heralds the return of more generous government funding for museums. Let's hope so."

The £5 million for a "New Audiences" programme is intended to increase access to the performing arts, broadening audiences with reduced price tickets and additional touring funds. Chris Smith, the Culture Secretary, said: "I look forward to the time when enjoyment of live theatre, music and dance becomes part of everyone's experience. I want it to become a regular habit, not just something 'other' people do."

# White House hits back at aide's claims



A "friendly letter" from Mrs Willey to President

FROM TOM RHODES  
IN WASHINGTON

THE White House, facing its worst criticism over President Clinton's alleged sexual affairs, yesterday launched a campaign to undermine the woman who claims he fondled her at the Oval Office doorway.

Officials released a thick pile of friendly letters and telephone messages, all sent by Kathleen Willey to Mr Clinton after their disputed encounter, in the most serious exercise in damage-limitation since the President's alleged affair with Monica Lewinsky, a White House trainee, erupted almost eight weeks ago. The letters show Mrs Willey sought an ambassadorship, a position on an

international panel and a place in Mr Clinton's re-election campaign. She made persistent requests of the President, who took the time to deal with them personally, although he was friendlier in earlier replies.

The White House arranged for her to go to two international conferences and in a scrawled note to an aide about a request from Mrs Willey, the President asked: "Can we do this for her?" In a three-page letter to Mr Clinton in December 1995, which she signed "Fondly, Kathleen," Mrs Willey thanked him for letting her attend a biological diversity convention in Indonesia. "I spent one day in a rainforest, followed by a day diving the coral reef on the island of Sulawesi,

experiences which I will never, ever forget," she wrote.

Robert Bennett, the President's lawyer, also charged that Mrs Willey's lawyer had attempted to obtain a \$300,000 (£180,000) book contract for his client, touting her Sunday night appearance on *60 Minutes*, the country's most popular current affairs programme, as evidence of her marketability.

However, Nancy Duff Campbell, co-president of the National Women's Law Centre, an organisation that specialises in sexual harassment, claimed that Mrs Willey's letters to the President, often signed "Fondly, Kathleen" and describing herself once as his "Number One Fan", were in keeping with a

woman who had been sexually harassed and feared for her job. She said it was common for women to want to maintain contact with those who had harassed them.

"As Mrs Willey said, 'What did I do wrong', a lot of it is about wanting to put the incident behind them and an attempt to smooth it over," she said.

And White House officials conceded privately that the President's defence against Mrs Willey remained a highly delicate matter. Most Americans view the former volunteer, a loyal Democrat, and initially an unwilling witness in the Paula Jones case, as entirely different from Ms Jones, Jennifer Flowers or indeed Ms Lewinsky. Polls

taken after her appearance, during which she described how Mr Clinton had fondled her breasts and placed her hand on his erect penis in 1993, continued to show strong approval for his work as President. However, after Mr Clinton testified there was no sexual act and Mrs Willey branded him a liar, an ABC survey showed 63 per cent of Americans believed he should resign if proven to have lied under oath.

A poll for the news network MSNBC showed 81 per cent of respondents found Mrs Willey's account credible, a figure that caused serious concern at a White House relying on favourable public opinion to ride out the storm. While

women's groups appeared to be shifting their allegiance away from Mr Clinton, others closely associated with the President were moved to speak out for the first time. Billy Graham, the evangelist minister, yesterday wrote an article for *The New York Times*, urging that Americans do not divorce character from leadership. "Only time will tell whether President Clinton has betrayed the trust we have placed in him as our leader," said Mr Graham. "I hope for his sake, for the sake of his family and the sake of our nation, that he is not guilty of the things he is alleged to have done."

Simon Jenkins, page 24

## Kohl's negative image angers photographers

FROM ROGER BOYES IN BONN

PRESS photographers are threatening to lay down their cameras to protest against disparaging remarks by Helmut Kohl. The German Chancellor emerged blinking in the sunlight after a meeting the other day and, in a black mood, observed: "There are more photographers around than human beings."

Photographers are sensitive creatures, so a boycott is being mooted. If it happens, the Chancellor will not be devastated, even though the general election is a mere six months away. He is already convinced that photographers are snapping him "for hours on end until they get the appropriately negative shot". The row has been seen as a symptom of the growing Americanisation of German politics.

Gerhard Schröder, the Chancellor's Social Democratic rival, is notably more gentle with photographers, and they with him. The battle is on, however, for a much bigger prize: the sympathy of the mass-circulation *Bild* newspaper.

The paper's Sunday sister, *Bild am Sonntag*, has been strongly pro-Schröder for months. Kohl courtiers have been expressing their dismay to board members at Springer, the paper's owner, Michael Spreng, editor of *Bild am Sonntag*, looked a bit shaky for a while but seems to have survived. An editorial, written by him, lamented that political parties "were trying to influence newspapers and journalists, to put them under pressure".

The daily *Bild* (circulation 4.5 million) is still balanced between the two candidates. It seems to prefer the Chancellor's wife to the spouse of Herr Schröder, and it is coming round to support for the euro, the Chancellor's cherished

project, but Herr Schröder is portrayed regularly as a man of action, a shade more dynamic than Herr Kohl.

The Chancellor's list of media enemies has been growing. He has refused for years to give an interview to *Der Spiegel* news magazine and *Stern*, which recently printed an estimate of the Chancellor's real weight (25 stone) and state of health, is also out of bounds. Interviews are given only grudgingly to the two main state television networks, which the Chancellor's staff regard as a nest of Social Democratic sympathisers.

The Christian Democrats accused the Opposition of trying to whip up a campaign based on personalities, in imitation of an American presidential contest, even though the German Chancellor is not directly elected. But the Chancellor has won every election since 1982 precisely by projecting his personality over the party programme.

Some newspapers are still loyal to the Chancellor. Above all the *Frankfurter Allgemeine Zeitung*, Germany's most serious conservative newspaper, remains on his side. But even papers favouring Herr Kohl have started to urge him to clarify the position of his successor, Wolfgang Schäuble.

One strategy being advocated by the conservative press is that, between the decision on the euro in early May and the Christian Democratic party congress in mid-May, the Chancellor could announce his intention to hand on the baton to Herr Schäuble in 2000. But each possible variant of the Kohl succession entails substantial risks at the ballot box. The risks are enhanced by the failure to bring the press back into the loyalist fold.



Zhu Rongji acknowledges applause after parliament elected him Prime Minister

## Technocrat ready to wield axe in China's No. 3 post

FROM JAMES PRINGLE IN BEIJING

ZHU RONGJI, a straight-talking economic reformer, was elected China's Prime Minister by parliament yesterday to replace the hardline Li Peng.

Mr Zhu's main tasks are to overhaul loss-making state enterprises and trim the bloated bureaucracy. He comes to office amid soaring unemployment, which threatens to destabilise the country.

The taciturn Mr Zhu, forced to feed pigs and clean toilets when he rashly criticised Mao in the 1980s, flashed a rare smile, made a brief bow and raised his clasped hands in the air to indicate thanks when he received 2,890 delegate votes at a session of the National People's Congress. There were

29 votes against and 31 abstentions, but Mr Zhu received an altogether warmer welcome in Beijing's Great Hall of the People than had Mr Li, who became parliamentary chairman with an unusual "no" vote of more than 10 per cent the day before.

Mr Zhu's elevation to the Number Three job in China pleased foreign businessmen, but diplomats said that although he might be an economic reformer there was little possibility that he would seek to match those reforms with political relaxation or innovation.

"Zhu is an old-school central planner, trained like most of his generation in the Soviet style," said one envoy. The

new Prime Minister, who steered the Chinese economy out of high inflation during five years as China's economic chief, has to remodel the banking system and ease out four million bureaucrats used to lifetime job security. One Western envoy described the task ahead as "ferociously difficult".

Mr Zhu, 69, spent years in political limbo for taking part in "constructive criticism" of the Communist Party, but later became Mayor of Shanghai, central bank governor and Deputy Prime Minister.

His elevation comes as the East Asian economic crisis is starting to hit China, where tens of millions of workers, perhaps 20 per cent of the 1.2 billion population, are without jobs. Some economists forecast 26 per cent unemployment by 2000. Foreign investment is falling rapidly, and commercial banks are insolvent to the tune of \$250 billion (£150 billion).

An electrical engineer born in Mao's native province of Hunan, Mr Zhu has a reputation for flying into rages with underlings. Once he dismissed a factory manager who showed him an expensive lighter, saying he could not afford it on his salary. He was purged first in Mao's anti-rightwing campaign, then again during the Cultural Revolution.

But unlike Mr Li, who declared martial law in Beijing to suppress pro-democracy demonstrations in 1989, Mr Zhu did not use the army to confront similar protests in Shanghai. Instead he talked to students and mobilised tens of thousands of workers to clear the streets and restore normal life to the city, a strategy that won him a measure of popular support.

As a lifetime technocrat rather than a party boss, he has a limited power base. Mr Zhu is, after all, only third in the new leadership triumvirate behind Jiang Zemin, the party boss, and Mr Li.

Protest vote: China's parliament voiced anger at rising crime yesterday with a large protest vote against the Government's choice for top prosecutor. More than 680 delegates voted against Han Zhubin's election as procurator-general. (Reuters)

## Serbia moves to restrict press freedom

FROM TOM WALKER  
IN BELGRADE

SERBIAN police have interrogated five independent Belgrade newspaper editors who chose not to describe as terrorists the 20 Albanians killed in last week's security clampdown in Kosovo.

While the state is considering fining the papers, the Information Ministry has gone on the offensive, insisting Serbs are once again victims of a world media conspiracy. "The Government can expect greater patriotic support than some of these papers have been giving," said Radmila Milenijevic, the Information Minister.

Ms Milenijevic's appointment last year at the behest of President Milosevic of Yugoslavia worried much of Belgrade's more liberal media. In the wake of street demonstrations that shook the socialist regime's image, they feared an immediate curtailing of press freedoms, but it seems the minister, a friend of Mr Milosevic, has only now decided to bare her teeth.

"If they are trying to make us use the words they want today, then what will they want tomorrow — for us to publish whole false stories?" asked Ivana Slevanovic, a journalist at *Demokrtija*, one of the targeted newspapers.

The six-nation Contact Group's ten-day deadline for Mr Milosevic to remove his special forces from Kosovo expires on Friday, but the Foreign Ministry said there are no such forces there.

In the face of such intransigence, more drastic sanctions than the one agreed — an arms embargo — may be considered by the Group.

## Suharto Cabinet gives pay to poor

Jakarta: As students on at least four campuses demonstrated for democratic reforms in Indonesia, President Suharto and his new Cabinet pledged to hand over one year's salary to a fund for the poor to be run by the Social Affairs Minister, the President's daughter, Siti Hardiyanti Rukmana.

The President and his 36 ministers agreed to declare all assets and business interests, though the information would not be released to the public. Each minister gets about 48 million rupiah (£3,000) a year, excluding allowances. Mr Suharto, a former army general, is said to receive several times as much, though his private wealth is estimated at billions of dollars. (AP)

Leading article, page 25

## Navy chiefs face charges

Rome: The head of the Italian Navy and two other senior naval officers are to face charges of manslaughter in a Brindisi court after the death of 90 Albanian refugees in the Adriatic a year ago (Richard Owen writes). *Il Messaggero* said Admiral Umberto Guarneri, retired Admiral Alfio Battelli and Captain Paolo Giuliani have denied claims that an Italian corvette had deliberately rammed a rusting refugee vessel at the height of the Albanian crisis.

## Building collapse traps 30

Bombay: Rescue workers pulled 11 people, one dead, from the remains of a collapsed six-storey residential building in Bombay's Malad suburb. Neighbours feared at least 30 more were trapped in the rubble of the 15-year-old building, much of which fell on mud-and-thatch huts. Dozens of buildings collapse each year in the monsoon season. City officials fear about 15,000 are in imminent danger, but tenants refuse to move, saying they have nowhere to go. (Reuters)

## Ramos fears death plot

Manila: President Ramos, right, of the Philippines ordered an investigation into allegations that his Vice-President, widely tipped to succeed him, had planned his assassination. Joseph Estrada, a former film star, dismissed the allegation as black propaganda. The President would prefer his successor to be the House Speaker, José de Venecia, but he is trailing Mr Estrada in opinion polls ahead of the presidential election in May. (Reuters)



## Funeral rites and wrongs

Buenos Aires: An Argentine man turned up for his own funeral — and gave his mother a nervous breakdown. Robinson González's mother, from the Atlantic port city of Bahía Blanca, thought she recognised her son, 21, from a televised report on an accidental shooting and wrongly identified the body in a mortuary, too. When her son phoned her to say he was alive, she took it for a sick joke. (Reuters)

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**CHANGING TIMES**

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How Charles missed a chance with his recipes but caught the popular taste + Is the President really hooked on sex? + Smoking — not so much shocking as embarrassing

THE MAN, you must admit, has no talent for public relations exercises. So at least we can agree there's one good thing you can say about him. But since it is said that the defining quality of a gentleman is that he is never rude to someone by mistake, one has to ask: why the Prince of Wales, when asked to contribute some recipes for the British chapter of the charity cookbook, *Culinary Tour Around the World*, submitted one for gnocchi with pesto?

# Don't gnocchi it

But if, diplomatically, his behavior is unjustifiable, there is a sound defence to be made. Leave the gnocchi and pesto to one side for the moment; let us just concentrate on the basil and pine-nut loaf and malted vanilla ice-cream. First the bread. Who ever thinks this is Italian has never eaten in Italy. This is modern British: which is to say, it takes Italian ingredients and then does something deeply un-Italian with them. Fancy flavoured breads came to us via America. So, the Prince — hastily brushing over US influences — could have played the patriotic card here, offering up this bread recipe as a culinary example of Cool Britannia: foolish, then, to blow it.

Prince's submissions made the editors rewrite their introduction to the British chapter, adding the words "British cuisine is now so eclectic that we include some Italian recipes" then, perhaps it's no bad thing. Because that truly is how things are. And actually, you could argue that these developments all stem from the person, the gastronomic revolutionary no less, who is usually held to have

made food better in this country, Elizabeth David. Her *Book of Mediterranean Food*, published in 1950, set the culinary agenda. As Arabella Bower, in her brilliant and mindfully titled *Book of English Food* (Hodder & Stoughton 1991) while paying all due respect, remarks: "It does seem slightly ridiculous that pesto should have become a national dish." And I have to say, what slightly mystifies me is why the Prince could have thought we needed another recipe for pesto. I love Italian food, have lived in Italy, read Italian at university — I can scarcely believe there is anyone more greedily Italophile than I — but I was acutely aware while writing my own food book (*How to Eat*, to be published by Chatto & Windus in September, since you so kindly ask) of the need to limit, though certainly not exclude, Italian, or Italianish, entries. And this

is not because I am required, as our future King is, to be sensitively patriotic (and all the more so because he is scarcely British), but simply because enough is enough. And as Arabella Bower's book and Sybil Kapoor's soon-to-be-published *Simply British* (Michael Joseph £5.99) show, English food doesn't have to be depicted or extolled in theme park terms — all mutton chops and barons of beef. But it shouldn't be a question of either/or. The fact is, Italian food has gone in to the culinary currency, and to ignore it or rail endlessly against it, would be to skate over one important point: we have always had an assimilationist culture. I was amused to learn, on the same day that news of the Prince of Wales's little gastro-trouble was reported, of an NVQ course in preparing "Britain's national dish". This national dish? "Good, old-fashioned fish and chips", according to the man who is teaching the course. It may surprise him to know that good, old-fashioned fish and chips, our very British fish and chips were actually introduced to us by immigrant street-fryers from Italy last century, and are thus just as Italian — or, you could argue, as British — as gnocchi al pesto.



## Nigella Lawson

# Clinton is simply addicted to what he can get away with

I AM suspicious of the allegations that President Clinton is a "sex-addict". What is there to support this claim? It's not just his philandering. It's the fact that the President, or so the one-time aide (and former squeeze) reports, is apparently convinced that all women find him irresistible. But it appears to be a delusion many of these women seem to share. President Clinton is an alleged sex addict; Michael Douglas is a self-confessed one. I suppose if you're a film star or the President you don't get turned down that often. You can do what other men mostly just dream of. Sexual addiction is not, then, so much a case of affliction but a matter of opportunity. And I suppose it illustrates one of those horrible truths, which is that people regard as acceptable behaviour that which they can get away with. Which is to say that President Clinton might, sooner than he'd wish, find a cure for this sex-addiction of his.

# Common sense lost in the fog

SHOCKING though it is that, nearly 50 years ago, a tobacco firm was admitting privately, but glossing over all knowledge publicly, that there was, indeed, proof of a link between smoking and lung cancer, I can understand why — for the usual corrupting commercial reasons — it didn't wish to

divulge the truth. What seems, in addition, and in a sense more shocking, is that once that truth was made manifest, once the connection was unchallengeably established, people continued — and continue — to smoke. It's not that I mind anyone's smoking — indeed, I quite enjoy a little passive smoking myself every now and again — but it seems such a crude expression of the self-destructive impulse as to be downright, gawkingly embarrassing.

# A bedroom built for slumber

In the final extract from *The Sleep Solution*, Nigel Ball and Nick Hough discuss the importance of creating the right environment for a restful night

**Y**our sleep environment is an important influence on your sleep fitness. The aim is to have a bedroom that is relaxing, comfortable and welcoming, the kind of room in which it is easy to feel sleepy and awaken refreshed. ■ Support and comfort in a mattress are much more important than firmness. Remember to turn your mattress periodically. This can make a big difference. ■ You can get an idea of how satisfactory your mattress is by comparing it with another. When you're away from home on holiday, or if you sleep in a different room in your house, is your sleep better or worse? ■ If you think your mattress is too firm, or if you are suffering from pain or discomfort, try putting a dimpled foam overlay on top of it. ■ Most mattresses are designed to last about 12 years, but many people keep them for up to 20 years and then pass them on. ■ Futons tend to wear faster than ordinary mattresses. If you've had your futon for more than two or three years, you should probably check that it is still adequate. We spend a third of our lives in bed, so a little concern about

the bedroom is in order. The physical environment is important while we sleep. Many people have disturbed nights because they are too hot, cold, uncomfortable, or are disturbed by noise. But the psychological environment may be as or more important. ■ What can you see in your bedroom that has nothing to do with sleep, relaxation or "comfort" activities, such as getting dressed? ■ Remove anything that does not belong in the bedroom, especially anything that turns the bedroom into an office (for example, desks and computers), work or hobby tools, items being stored (unless truly out of sight) and junk. ■ We've found little evidence to show that books are a problem, so we're not about to deny you your bedtime reading. Radios are not a problem either, unless you often fall asleep with one on. ■ Televisions are an interesting case. While they are often

used for relaxation, watching TV in bed does interfere with good sleep. To avoid this, move it from the bedroom — set up a viewing place elsewhere that is comfortable and relaxing. ■ Make changes, even small ones, that make your room more comfortable. These might include adjusting the lighting, changing the curtains or blinds, adjusting the temperature or being tidier. ■ Make sure that the bedroom is the right temperature. Several studies indicate that a cooler bedroom, where the temperature is about 16C, produces the best sleep. However, have plenty of warm covers: you shouldn't feel cold. ■ When dealing with noise, remember that it is often the difference between a loud noise and the background noise that causes most problems. Surprisingly though it might seem, some people sleep better with background noise and prefer to have a fan or "white-noise" machine on. If you are a shift-worker, it is probably a good idea to have some earplugs handy for those days when you feel particularly sensitive to noise. ■ If you sleep on several pillows, or sleep better in a propped position, try to work out why. If it is because of breathing problems or heartburn, you would probably do better if you put four to six-inch blocks under the legs at the head of your bed. This will stop your body being bent as you sleep, which exacerbates both apnoea and reflux (acid from your stomach). ■ Avoid being disturbed by light when you sleep. Many people find that they sleep best in complete darkness, while others find this somewhat disorientating and may wake up feeling groggy. One solution is to use a dawn-simulator, which gradually increases the light intensity of some bright lamps in a way that simulates natural dawn. ■ If you want to go to sleep while your partner is reading, you could invest in a small light (perhaps even the directed-beam kind that clips to a book) so that you can remain relatively undisturbed.



Parents employed in night work can have sleep patterns damagingly disrupted by children, but a proper schedule can minimise the impact

# Parents need a blueprint for bedtime

IT IS amazing how much the sleep of parents is disrupted by their children, pets and the telephone. This problem is magnified many times for working parents, especially shift-workers. Most people would not be expected to disrupt their sleep to deal with a plumber at 2am, but the equivalent problem constantly plagues shift-workers. We expect some sleep disturbance, but often, on reflection, we find

that it has become unnecessary and avoidable. ■ If a child has poor sleep, you probably expected that having a baby in the house would disrupt your sleep. You may be more surprised to find that your rest continues to be disrupted until the infant is three years or older, and by the problems that occur throughout childhood and adolescence. Set up a schedule for dealing

with your children. If one partner decides to take responsibility for the first awakening, or for weekdays or weekends, the other partner may have better sleep at those times. This will prevent both of you from becoming exhausted. ■ Set a regular schedule for your children that allows them to get enough sleep. This may mean that they go to bed slightly earlier than

normal, but only a regular routine will develop consistent habits. Proper bedtime routines for the child are important. These are, obviously age-dependent, but may include putting away toys, then having a drink, a bath and a story read to them. ■ If you work unsocial hours with children at home, it is essential to set some ground rules, with suitable rewards for good compliance.

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ESTABLISH THE CORRECT EATING PATTERN

OUR pattern of eating is important because our digestive systems are partly controlled by our natural biological rhythms. These natural rhythms allow us to anticipate large meals by providing enzymes before the food arrives to aid digestion. Unfortunately for shift-workers, if meals are not eaten at the right times these digestive substances take out their frustration on an empty stomach, and then the food that is eventually eaten is digested less effectively. ■ What and when we eat also influences heartburn and acid reflux, the curse of many shift-workers, and a disruptive influence on sleep. ■ Gastro-oesophageal reflux occurs when acid escapes from the stomach and comes back towards the mouth. On the way it burns the delicate tissues of the oesophagus, causing heartburn. It may stimulate nerves, causing coughing, or reach the entrance to the lungs causing choking. If it reaches the mouth, you may vomit. Eating also affects sleep through arousal, which counters the natural relaxation to sleep.

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55: زمان الاصل

# Television breaks the final taboo

Robert Winston defends his series which depicts a patient's last hours

Five years after qualifying as a doctor I belatedly learnt a hard lesson. Like many impoverished hospital registrars training in high-tech medicine at that time, I spent one four-week holiday acting as a locum for a single-handed, small town GP. After only two days, I was called to a man who was clearly dying. He had a chest infection, having some months earlier had inoperable cancer diagnosed. My first emotion was embarrassment and, in spite of repeated pleas by telephone, I could not find a bed for him in any local hospital. Panicking, I finally rang for advice from the elderly GP for whom I deputised. He gave me strict instructions: "Treat him and visit him at home. People have far more dignity dying in their own surroundings."

I visited him each day, at first reluctantly. I was surprised that I had prescribed effective pain relief and that he had rallied slightly. I chatted with him each morning, discussing the sports pages of his favourite newspaper, until he died three weeks later. He was in his own bed and surrounded by family. He undoubtedly had less pain than he might have had in hospital, and was, by the end, a good deal less frightened and more peaceful.

Recently, I have been involved in presenting a seven-part BBC 1 television series, called *The Human Body*. Due to be broadcast

**We hide death: it is beyond our control and terrifying**

in May, it is fitting that its transmission is announced today, during National Science Week. It is a vivid salute to the human body, its evolution, its development, its function, its remarkable complexity. It describes the Seven Ages of Man partly by following particular individuals over crucial periods through birth, childhood, puberty, adulthood and old age. It records the fact that, though we have hardly changed in 100,000 years, we change a great deal in a single lifetime. Medical science has contributed hugely to the treatment of injury and disease but the seventh programme has to describe the greatest change of all, that of death. To avoid depicting and not to try to understand this mysterious and frightening event would be to fight shy of an essential feature of our existence.

After the most careful consideration, and with the complete approval of the dying man (whom I shall call Paul) and his wife, our camera team followed his last few months, days and hours. Paul lived in a small rural community and died last March of a huge inoperable cancer, arising in his abdomen. The film, that talented producer Chris Spencer has made is most beautiful and deeply moving. Television, like ourselves, is mostly ephemeral, but this is an unusually important film and also a tribute to Paul who, by his pain and courage and his peaceful departure, will not be easily forgotten.

I am told that the BBC's decision to film this death has caused controversy. Some journalists have tried to

sensationalise this decision. I find this depressing, indeed outrageous. Television, possibly more than any medium through its fiction and even its news coverage, has largely inured us to carnage, to violent death and other horrors. Yet when it is planned, constructively and sensitively, to show the reality of the journey that all of us take, the paradoxical reaction is one of anxiety.

The *Human Body* series shows that, as we have developed, we have increasingly managed our surroundings and controlled our environment. But we live in a society which hides death because it is beyond our control and, partly in consequence, we are terrified of it. To us, the *memento mori* of medieval society seems macabre, and the depiction of mortality in Renaissance painting is unintelligible. We sometimes needlessly attempt to take death over, mechanising it by fruitless resuscitation in hospitals. And, of course, we refer to it in euphemisms. Across the Atlantic, some people grasp at cloning rather than burial, cryopreservation rather than the grave.

There is, among others, one particularly memorable scene in this film. In the last few hours of semi-coma, Paul is visited by a neighbour who remarkably and unselfconsciously brings his 10-year-old daughter. She thrusts into Paul's hand a tiny bunch of wild flowers which she has picked in the fields outside, and she and her father sing him a little Irish folksong. For a brief poignant moment, in the hour before his death, Paul seems to revive very slightly.

For those who have yet to see this programme, it may seem shocking, even morbid, that a small girl could be allowed to witness the death of a neighbour, in what might be thought to be a distressing scene. But the thing which stands out is this girl's very lack of distress. It is, indeed, a lesson to all of us. In hiding death as we do in our civilised society, we make it a taboo. Yet Paul dies naturally, with his wife next to him and in his close rural community — the kind of supportive community that modern life has seemingly made an anachronism.

Watching a film of this quality and delicacy is not voyeurism. If it were, we would be diminishing Paul's personality and, of course, ourselves. On the contrary, we are celebrating a special individual and if, in the process, we learn a little more about death itself, we augment his memory. This programme is truly mature and responsible television. In making and transmitting it, the BBC has fulfilled its traditional role, for which it has no equal in the commercial sector. By helping all of us to understand our end it will have continued to provide its unique service to public broadcasting.

Lord Winston is Professor of Fertility Studies at Hammer-smith Hospital.



The President's svelte accusers, with their posers of lawyers in tow: Jennifer Flowers, Paula Jones and Monica Lewinsky

# The issue is the grope

Like Don Giovanni, Clinton is popular, but the clammy hand of the law may yet drag the lecher down to perdition

Forget Kosovo. Apologies to President Saddam Hussein. Never mind healthcare reform. American politics cannot walk and chew gum at the same time. At present it is chewing President Clinton's sex life, and chewing it with a frenzy more humiliating, more senseless and more embarrassing than was ever visited on a public figure. The reason is not so much the smut as the processing of smut. Above all it is lawyers. American lawyers are making Europe's paparazzi seem like priests at the shrine of decorum.

Members of a once learned profession are now scouring America for depositions on the presidential penis from any woman at whom Mr Clinton has so much as leered. Dozens of supposedly "wronged" women are emerging from the shadows of lawyers' and publishers' offices. In covers measureless to man, they are revelling in recalled memory syndrome. Paula Jones, who willingly went alone to the President's hotel room in 1991, has made his alleged pass the most celebrated in history. Her lawyers have produced a 734-page deposition, possibly the most tedious piece of pornography ever. They are now hunting 12 "witnesses" to other Clinton indiscretions; some of them, including a former Miss Arkansas, have wisely fled the country.

What to an outsider is astonishing is that these lawyers can do anything like this. Those in Ms Jones's petty harassment suit are blatantly colluding with the mighty congressional prosecutor, Kenneth Starr, who is supposedly investigating the Clintons' business affairs. Mr Starr, an ardent rightwinger, can delve into the President's privacy with a zeal that would make the *News of the World* blush. Unlike that newspaper, Mr Starr can pursue his prey with the aid of a subpoena and taxpayers' money. He has turned executive oversight into a salacious what-the-butler-saw machine.

Americans point out to baffled visitors that the issue here is presidential honesty, thus a matter of great constitutional importance. This is said to explain the grand juries and special prosecutors, the allegations of perjury and the tasteless television queries about Mr Clinton's private parts. It explains the satellite dishes outside the Court of Appeal; the svelte ladies with posers of lawyers in black limos; the eminent articles quoting Washington, Jefferson and Wendell Holmes. The President stands accused of suggesting to "Jane Doe" that she forget some old grope in the corridor. The Constitution cannot stand the shock. Truth is the issue, say the apologists, not the grope.

You can tell that to the marines. The issue is the grope. A nation that still fries convicts in electric chairs and sells AK47s over the counter is so hypersensitive about sex that it treats nude art as "harassment", a wolf-whistle as "psychological rape" and a pat on the bottom as sexual assault. To say that "Zippergate" is about honesty is like saying *Titanic* is about

global warming. Sex in high places is the oldest tale in the book. The trouble with the present case is that the sex is awful. After a recent British lurch into this abyss — during the break-up of the royal marriage — I recall an American journalist marvelling at Britain's ability to produce "sex scandals with class".



Kathleen Willey: why did she wait so long to complain?

powerful investigative army on earth has found no illegitimate child, nor a sinister mistress of backstairs intrigue. The Hanoverian monarchs put their discards into Twickenham palaces: Mr Clinton puts his into the Pentagon. That is democracy. Public funds have not been sequestered nor state security jeopardised.

We are presented with a staged parade of women who sought solitary confinement with a serial lecher, most of them for some advancement they had not achieved at a distance. As of today, it seems that Monica Lewinsky gained the public support for her husband.

The law, said de Tocqueville, is to American democracy what the monarchy was to Britain, an inviolable bastion of order against the mob. But with sex on its mind, the law can exploit the mob. Its power is truly awesome. At present, the American justice system is co-conspirator in what seems a direct attempt at assassination. I prefer my assassinations carried out by the tabloid press. It has some sense of dignity.

But not to lawyers. America now has a grand jury sifting mountains of evidence on the personal flaws of the

**Simon Jenkins**

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# A Budget to benefit Mr Blair

The Chancellor took no chances, says

Peter Riddell

The Budget was a Downing Street co-production. It reflected Gordon Brown's intellectual stamp and Tony Blair's political instincts. The two took all the key decisions together a few weeks ago, discussed the language of yesterday's speech at Chequers on Friday and Saturday and will tomorrow jointly answer questions on the Budget at a London school. Let no one now doubt that their relationship remains at the heart of the Government — defining what the much-heralded new Labour "third way" means in practice.

Blairism is different from Tory economic policies, but only within tightly defined overall borrowing, tax and spending constraints. There is continuity at the macroeconomic level, where Mr Brown has gone further than the Conservatives ever did in offering a public framework for monetary and fiscal stability. His speech was peppered with the words "prudence" and "stability".

Mr Blair is always conscious of the need not to be seen as betraying Middle England, the millions of voters who deserted the Tories on May 1. "You can never trust the Tories again on tax" was a central part of that campaign. Labour's election chances depend critically on not being vulnerable to the same charge. The Prime Minister was alarmed by the bungled launch of the proposals for the individual savings account (ISA) and the accusation that middle-class savers would be penalised retrospectively. Hence yesterday's climbdown to protect existing holders of Peps and Tessas.

Contrary to much pre-Budget speculation, Mr Brown was careful to limit the extent of redistribution. It will therefore be much harder for the Tories to portray the Government as hitting the middle classes. There is some squeezing of the wealthy at the margins — principally via the attack on tax avoidance and closing loopholes, such as offshore trusts (to yield £1.5 billion over three years) and an increase in stamp duty on sales of expensive homes (affecting the upper end of the London housing market). Admittedly, the value of the married couple's allowance is being cut, and higher-rate taxpayers may in future have to pay tax on child benefit. But the starting point for the higher rate of income tax has been raised, mortgage tax relief will remain for the time being, tax relief on pension contributions is unchanged, and all employees, not just lower-paid ones, will pay less in national insurance contributions from next year.

So instead of a large-scale cash redistribution from the better-off to the less well-off, we have changes aimed at increasing incentives to work and to remain in work (via the new tax credit for working families) and at helping children (whether of married couples or lone parents). The commitment to helping children, both by increasing child benefit and expanding childcare, was the most striking feature of the Budget. The aim of raising the point at which people in work begin to pay tax and national insurance is highly desirable. But the poverty trap from loss of benefit and payment of tax faced by people when they start working has been reduced, but not eliminated.

The money for Mr Brown's measures is coming from tax increases already announced (for example, the dividend income of pension funds) and an immediate big rise in petrol duty and a large increase in tobacco duty in December. Mr Brown is also benefiting from substantial fiscal tightening at present, which has led to a sharp fall in public borrowing from £23 billion last year to £5 billion this year. But borrowing is expected to decline by only a further £1 billion in the coming year.

The Chancellor is using some of the shortfall in public spending to finance increases in education, health and public transport, thus alleviating some of the previously planned squeeze. While total spending is expected to have fallen by 1 per cent in real terms in the financial year just ending, Mr Brown's announcements, both last July and yesterday, should mean a rise of 1 per cent in spending in the 1998-99 year.

The message is that we have already endured the main pain. This earned Mr Brown the cheers of Labour MPs yesterday. But if everything seems too good to be true, that's because, in part, it is. As the Tories pointed out, Labour inherited a strong economy. The resulting sharp growth in tax revenues — as well as Mr Brown's firmness on spending — has relieved much of the fiscal pressure. The key test will, as always, be the state of the economy. If Chancellor suggested yesterday that there would be a slowdown in growth from 3 per cent last year to around per cent next year, rather than outright recession, if he is right, Labour is heading for a second election victory in three or four years. If not, the Government could find that the millennium celebrations coincide with deep political unpopularity. No wonder Mr Brown is being cautious yesterday. Mr B does not want to take risks with re-election.

Alan Coren's column will appear tomorrow.



THE latest subject for an Andrew Lloyd-Webber musical? Cynthia Payne. The tunesmith has discussed the idea with our most notorious madame for some time, and raised it again at the Dorchester the other night. "I have always thought a play or a musical would be far better than a film," she said, referring to the celluloid study *Personal Services*, starring Julie Walters (pictured). Gosh. Stand by for Streatham Boulevard.

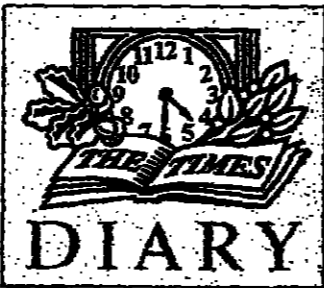
JASPER GERARD

# Class war

HARRIET HARMAN has been spurned by the school where Tony Blair is expected to send his daughter. I gather that Lady Margaret School, an all-girls Church of England comprehensive, has told the Social Security Secretary that because her Dulwich home is eight miles away from the school, her 11-year-old daughter, Amy, has been rejected. The Prime Minister, five miles away in Downing Street, has been told discreetly that 10-year-old Kathryn Blair will be allowed to attend, as I disclosed some months ago. Ms Harman (pictured), a product of St Paul's, wisely eschews failing local camps in Southwark. Instead, she has plumped for the Grey Coat Hospital School in Westminster, reviving the row over earlier choices. Before the election, she provoked party firebrands and Tories by sending her sons to selective schools outside the borough: Joseph travels to St Olave's Grammar in Orpington, Kent, while her elder son, Harry, treks off to the London Oratory (home to the Blair boys).



Lady Margaret has been described by inspectors as "a very good school which has great strengths". Between 1992 and 1996 it was the fastest improving school in the country — owing to an admissions policy which some might see as too selective for a comprehensive. Joan Olivier, Headmistress, says: "The school's ethos and culture is not to everybody's liking". Indeed. Only 6 per cent of pupils are entitled to free school meals, compared with 41 per cent across the Hammersmith and Fulham borough — hence the battalions of BMWs at the school gates. Despite Ms Harman's rejection, many parents live well beyond its vicinity in South London middle-class enclaves such as Wandsworth, Tooting — and even Dulwich. Still, Harriet should find Grey Coat congenial. "You don't have to pay," says a parent. "But you are made to feel that, as you are well off, you should make a small donation."



ERIC CLAPTON is serious about bonding with his 13-year-old daughter Ruth, who retrieved him from "the edge of the world". She features on his new album *Pilgrim*, reading *Brave New World*, every angst-ridden teenager's favourite book. "She's talking about the dilemma of the future," he says. "It blows me away the way she is already moving through her life."

# Poll position

THE most important verdict on Gordon Brown's Budget will be passed by an elite focus group employed by the Chancellor to monitor reaction to his every sip of water. Brown's obsession with his own ratings has led him to employ, out of his own pocket, Opinion Leader Research, to poll the reaction of 100 "media executives,

think-tank directors and Whitehall mandarins". One suggestion is that proposals considered for the Budget have been floated past this cross-sectional group. The really valuable task OLR performs is informing Brown how popular he is compared with his dear but struggling friend, Robin Cook.

TONY BLAIR's latest fan: Prince Albert of Monaco. After describing JFK as one of the "great men of modern history" he says "Tony Blair's career is also impressive at the moment". But before Alastair Campbell celebrates, Al-



Here's a plate to mark the closure of Royal Doulton plants

bert concludes: "These days we tend to judge too quickly."

# Culture clash

FURTHER to my investigations into an apparent attempt by Chris Smith, Culture Secretary, to snoop on his Tory counterpart, Francis Maude: Smith has said sorry. Maude was cross that Julian Eccles, Smith's adviser, requested accounts from his department about a firm of which Maude is a director. Smith admits in a private letter that it was "an inappropriate use of official resources". An inquiry was conducted by Sir Hayden Phillips, a senior civil servant. Eccles has apologised, and is to pay for the search. Maude is not pacified: "This a pathetic attempt to cover their attempted dirty tricks."

# River rampus

KEN MAGINNIS, bracing Unionist MP, found his own way to celebrate St Patrick's Day. Spying a fetching display of all things Irish in the Commons, he grabbed the Irish flags and threw them in the Thames. Shocked toilers prepared a new display, only for him to come back and repeat the trick. "The tricolour has no place in the House of Commons," he says.





## THE ARTFUL RADICAL

Brown takes the best of Labour high-roads

This could have been the Budget which restarted normal political hostilities after an unnaturally quiet nine months. It could have been the Budget that gave the Tories a powerful new constituency, the bruised middle classes. Instead Tony Blair and his Chancellor have heeded the advice given him by Bill Clinton: never forget the coalition of those who voted you to power.

So the nightmares of the better-off never did materialise. In its reluctance to penalise the relatively affluent, the Budget has the Prime Minister's fingerprints all over it. Mortgage tax relief lives on; Peps and Tassas can be turned into Isas with no extra tax to pay; inheritance tax is untouched and capital gains tax, for long-term investors, will be cut. Even the threat to tax child benefit has been staved off for another year, while the benefit itself has risen sharply.

Those who run their own businesses have cause to be doubly delighted. Their corporation tax has been cut to 20p and, if they sell a company which they have built up over ten years or more, they will pay just 10p in capital gains tax. They can write off 40 per cent of capital investment against tax this year. And, if their employees are low-paid, their wage costs will fall substantially.

This latter move explains the end of Labour's traditional hostility to entrepreneurship. Messrs Blair and Brown understand that small and medium-sized enterprises are the engines of growth and employment. Their New Deal will not work unless jobs are available for those coming off welfare; the jobs are most likely to be created in smaller companies.

Having helped to improve the demand for employees at the lower end of the wage scale, the Chancellor Brown needed to create the supply. His attempts to make work pay, through the introduction of the working families tax credit and the tax credit for childcare, should do much to remove the financial and practical disincentives to

moving off welfare and into work. No such system is perfect: but this seems to be a big improvement on family credit, not least because all who qualify will benefit from it, and an extra £1.4 billion has been put into reducing poverty and unemployment traps.

The Budget may also help to reduce some of the psychological obstacles to seeking and finding work. Many more benefit claimants will now receive individual advice to remove them from welfare. The benefit system has become so depersonalised that any attempt to reintroduce a human element into it should be welcomed. Mentors and advisers can motivate, encourage and cajole the unemployed into work.

As a result of the Budget, more children should find themselves in families that are no longer dependent on benefits. Mr Brown's redistribution of money from the childless to those in families is to be welcomed after so many years of money moving the other way. The married couple's allowance is an anachronism: it was right to shift spending from that to child benefit, recognising that these days, extra costs arise not on marriage but on the birth of a baby.

Like all Budgets, all is not quite what it seems. The better-off will realise over time, as they did with the abolition of ACT for pension funds, that the higher rates of national insurance their employers now have to pay will eventually be passed on. And their reprieve on Isas is only an illusory gain; it simply returns them to the fiscal position they enjoyed before. Equally, the Labour backbenchers who cheered the extra spending on health, education and public transport may later regret that the increases were not greater. But for the low-paid and the no-paid, this Budget is a genuine and radical attempt to reform the system in their favour. It may not succeed; but the Government is surely trying, in the best of Labour traditions, to give dignity and independence to those who most need help.

## DIPLOMATIC DISASTER

Cook has not helped British foreign policy or the peace process

Subtlety on matters of extreme diplomatic sensitivity has not proved Robin Cook's strongest point as Foreign Secretary. Six months ago his position on the thorny question of Kashmir set the scene for the Queen's exceptionally difficult tour of India. His handling of the Har Homa site in east Jerusalem has now precipitated a major international incident that will severely embarrass Tony Blair as he prepares to visit Israel next month. The Prime Minister has secured a solid relationship with Benjamin Netanyahu so far. He will need to deploy all his undoubted charm to undo the damage that Mr Cook appears to have done.

The exact details of what Mr Cook had said he would do at Har Homa and whom he would see remain a matter of dispute. The Israeli Government is convinced that he abandoned a promise not to meet Palestinian officials in the immediate area of the site and then met Salah al-Tamari regardless. Mr Cook strongly asserts that he had only agreed that his initial inspection would be in the company of Danny Naveh, the Israeli Cabinet Secretary, and that he had retained the option of consulting Palestinians after that. As the details of Mr Cook's trip appear to have been rewritten several times in the course of the last 48 hours it is possible that a mutual misunderstanding has occurred. It was perhaps inevitable that it would.

This is precisely why the Foreign Secretary should have made the Har Homa site the centrepiece of his visit. Mr Netanyahu was bound to react sharply to what would always be seen as an act of deliberate provocation. The stated purpose of Mr Cook's Middle East tour was the

promotion of the European Union's role in the peace process. It is difficult to see how this could ever have been advanced by raising the profile of the most contentious and explosive issue in the region. A concentration on Jerusalem serves only to polarise local opinion and make compromise elsewhere more complicated.

Mr Netanyahu came to the opinion that Mr Cook's central objectives were his own credibility as an ambassador for European Union foreign policy and a desire to court favourable reviews in the Arab world. Israeli Prime Ministers of all parties have long suspected that the European Union's bias towards Palestinian interests renders it an incredible mediator on Middle East matters. Mr Netanyahu saw no reason to invest his time in the Foreign Secretary in this scenario. If the situation were reversed — on, for example, Northern Ireland — the public here would expect a British Prime Minister to be equally forceful.

This trip has been an unequivocal disaster. Mr Cook has offered the distinct impression that British policy towards the Middle East is made in Brussels, not London. The European Union's prospects of becoming a substantial player in the peace process have been retarded. The Americans, who remain the sole external actors who can move the delicate Israeli-Palestinian negotiations forward, have been left to deal with a poisoned atmosphere. Their displeasure was evident from the tone of the State Department yesterday. A curtailed discussion and a cancelled dinner will not, unfortunately, be the only consequences of Mr Cook's diplomacy.

## LUCKY INDONESIANS

Suharto dispenses crumbs from the rich men's table

President Suharto has some happy news for the International Monetary Fund team which returned wearily to Jakarta last night for another bargaining session. The IMF has had little to cheer about since Mr Suharto signed a \$46 billion agreement with it last January. He has done his utmost to stall IMF reforms, declaring that they violate the article of the Indonesian Constitution which says that the economy should be run collectively for the benefit of the nation.

By collectively, he seems to mean the Suharto dynasty, which is heavily involved in the monopolies that the IMF wants dismantled. Since being re-elected this month for a seventh term, a formality since he was the sole candidate, Mr Suharto has sidelined able technocrats and packed his new Cabinet with his family and close business cronies. He still seems bent on "solving" the crisis of confidence in Indonesia with a currency board which might bail out his powerful associates in the short term but at the cost of bankrupting the country when the dollar supply ran out. And his response to the misery and unrest sweeping the country has been to take tough emergency powers to curb "subversion".

But all will undoubtedly now be well. Mr Suharto is living up to his title of *Bapak Pembangunan*, or "father of development". To "eradicate poverty" among the millions made destitute by mismanagement and corruption, the drought and the marauded forest fires that have destroyed 30,000 hectares since January alone, he has made a

noble personal sacrifice. Yesterday, he announced that he would donate his salary to the poor, living off his pension as a retired general. Since he no longer had dependants, he said, he could manage. He has asked his ministers, who officially earn about \$400 a month, to do the same, contributing a year's salary to a fund controlled by his own daughter, Siti Hariyanti "Tutut" Rukmana, the new Minister for Social Affairs who is better known for the remarkable extent of her business interests.

It would be churlish to question such public-spiritedness. Fortunately, Mr Suharto is not wholly dependent on his military pension. His personal wealth has been estimated at \$16 billion, proving him a formidably shrewd investor of his modest public emoluments. That of his family has been put at around \$40 billion, making them together worth more than the IMF's loan.

Other members of his Cabinet should just about be able to scrape by, too, notably his old friend and golfing partner Muhammad "Bob" Hasan, the new Minister for Trade and Industry, whose empire includes two million acres of forestry concessions, joint control with one of Mr Suharto's sons of a domestic airline, and construction, media and mining interests. Yesterday Mr Hasan, whose timber cartel is of particular interest to the IMF, defended monopolies which "benefited the majority". Clearly they do; how otherwise could family-minded ministers deprive their nearest and dearest of their daily crust of state-funded bread?

## LETTERS TO THE EDITOR

1 Pennington Street, London E1 9XN Telephone 0171-782 5000

### Threat to vital role of the Territorials in Regular Army

From General Sir Edward Jones, Chairman of the Council of Territorial, Auxiliary and Volunteer Reserve Associations

Sir, I was sorry to see so little mention in Michael Evans's report ("Territorial Army to be cut by a third", March 16) of the actual role of the TA in today's and tomorrow's Army. Certainly many specialists, some of whom provide capabilities lacking in the Regular Army, are supporting our operations in Bosnia and elsewhere, but equally important is the appreciation that there is not an infantry battalion on any deployment which does not have volunteer members of the TA, trained in their own centres around the country, serving alongside their undermanned regular counterparts. Over 4,000 men and women have volunteered in the past three years. With full manning of the Regular Army not contemplated before the year 2001, this role of the TA is of real immediate importance.

Speaking at Chatham House only last week (report, March 13), the Secretary of State acknowledged that a new major threat to the UK could emerge. If it does, only the TA provides a basis for regeneration of forces. In the light of the lessons of history, can our political and military leaders afford to be without such a capability? Once units are discarded, the roots in the civil community will wither to the extent that the reservoir of willing volunteers to form the basis for the regeneration of forces will no longer exist.

Finally, we cannot overlook the fact that the Reserves, of which the TA is the largest component, provide a key

link with the community and the workplace at a time when the Regular Services have become increasingly divorced from the civil population. In this context, any reduction in the TA, and in particular of the TA infantry, would have, in addition, a most damaging effect on the Army Cadet Force, with all that implies militarily and socially.

Yours faithfully,  
EDWARD JONES,  
Chairman,  
Council of Territorial, Auxiliary and Volunteer Reserve Associations,  
Duke of York's Headquarters,  
Chelsea, SW5 4SG,  
March 16.

From Colonel J. S. G. Blair, Chairman of the Armed Forces Committee of the British Medical Association

Sir, After hearing senior officers, across the country, applaud the virtues of the Reserve Forces, it is most disappointing to learn that the Territorial Army is to face a cut of up to a third.

The medical and nursing element of the Territorial Army provides the Army with a backup of highly experienced clinicians. Their recent use in Bosnia demonstrates their importance to the Army. The BMA's concern is that the medical support for the Armed Services, which is already seriously reduced and suffering from a severe loss of morale, will fall to irretrievably low levels if cuts are inflicted on the medical element of the TA. The BMA also fears that the threat of cuts alone will produce an outflow of TA medical and dental officers as serious

as has already occurred in the regular element of the Defence Medical Service.

Before a decision is made to end the Territorial Army's presence in Scotland it should be recalled that it was reserves from the Glasgow General Hospital who formed the nucleus of the reserve element sent to the Gulf War. The Defence Medical Services cannot afford to lose the skills of the clinicians currently serving in the Reserve Forces.

Yours faithfully,  
J. S. G. BLAIR,  
Chairman,  
Armed Forces Committee,  
British Medical Association,  
BMA House,  
Tavistock Square, WC1H 9JP,  
March 16.

From Brigadier T. D. V. Bevan

Sir, Seven years ago I suggested in these columns (letter, July 13, 1991) that public duties in London should be undertaken by the Territorial Army. This would follow the precedent set by the Canadians, where the Canadian Guards, a militia regiment which includes women in its ranks, have performed public duties throughout the summer extremely effectively.

Why not give public duties to the TA? This would have the dual advantages of saving one TA battalion from the chop whilst at the same time relieving pressure on the overstretched Regular Army.

Yours faithfully,  
T. D. V. BEVAN,  
13 Whyke Road,  
Chichester, West Sussex PO19 2HN,  
March 17.

From Mr Charles Spencer

Sir, As a *echt* Jewish East-Ender, born in Newark Street, Whitechapel in the miserable Twenties, growing up in the starving Thirties, and experiencing Hitler's bombs there, I would like to add to John Diamond's view from Hackney.

Whilst the East End has long acted as a haven for foreign migrants, it is notable that they escaped from the area as soon as possible. This is particularly true of the Jews who sought better housing conditions, better education, better opportunities in more salubrious areas. The Bengalis, Pakistanis and Indians, with their own social ambitions, will soon follow suit.

This has not been true of the native *lumpen* Cockney population, brainwashed by the English class system and educational malfunction. They remain, proud of their ghastly accents, inadequate education and pub culture.

Yours truly,  
CHARLES SPENCER  
24a Ashworth Road, W9 1JY,  
March 14.

### East-Enders

From Mr Martin Salter

Sir, The boundaries of the "real" East End of London are far from static. John Diamond (article, March 14) even includes Stoke Newington in his broader definition, but my parents took the upward mobility road from Stepney to Hackney in 1930 in order to put the East End behind them. The East End stopped at Bethnal Green.

Hackney had parks and squares and the Mare Street shops: Woolworths, Dolcis and drapery from Stokes. The houses may have still been in multiple occupation but many had gardens with grass and flowers.

My children told me they had always assumed their father to be a real East-Ender, heaven only knows why. They were reluctant for the truth to get out, as this would have caused them considerable loss of street cred in Muswell Hill.

Yours truly,  
MARTIN SALTER,  
64 Church Crescent,  
Muswell Hill, N10 3NE,  
March 14.

### Tuition fees

From Mr Philip Bishop

Sir, More bleatings about the shared burden of tuition fees (letter, March 12). Having graduated four years ago, I have all but paid off several thousand pounds' worth of loans. I have enjoyed a favourable salary and accelerated promotion, thanks to my university education.

If students are unwilling to part with these relatively small sums, offered on generous terms, reimbursed in the form of exalted rates of pay and accelerated progress, perhaps they should ask why they are applying for a place. As long as students have no personal investment in their education and thus little to lose financially, many will continue needlessly to drop out.

They must face realities — the country is unable adequately to fund higher education in its entirety.

Sincerely,  
PHILIP BISHOP,  
12 Heathview Court,  
Parkside, SW19 5NL,  
March 13.

### New entrepreneurship

From the Director of the Institute for Public Policy Research

Sir, To illustrate a theory of his own, John Lloyd (article, March 13) misrepresents the content of the IPPR book, *The Entrepreneurial Society*.

The book is not a paean to the entrepreneur as hero. It points out that teams of people starting businesses are generally more successful than individuals and explicitly distinguishes the skills needed from stereotypes of greedy Thatcherite loners. It says entrepreneurship is crucial to all enterprises, public or private... Supporting entrepreneurs does not necessarily imply subsidising to "out of the individual".

Success in business requires the ability to work with other people, to plan and to budget. These are things which children can safely learn; they do not involve "ulcerous" challenges. It is not necessary to abandon a sense of social responsibility to start a business.

The IPPR is an independent centre-left think tank: it was not "set up by Labour". *The Entrepreneurial Society* makes no party-political points and does not say that new Labour "will do it better".

Yours sincerely,  
G. H. HOLTTHAM,  
Director,  
Institute for Public Policy Research,  
30-32 Southampton Street,  
London WC2E 7RA,  
March 13.

### Modern Christianity

From Mrs Queenie Houghton

Sir, The Right Reverend Vincent Nichols (letter, March 12) writes: "But there should surely always be a critical distance between church teaching and the expectations of any political culture".

Could it be that too much of the Christian Churches' teaching, unchanged and unchallenged for many centuries, is unlivable in the 20th century?

Sincerely,  
QUEENIE HOUGHTON,  
1 Rectory Cottages, Kelsale,  
Saxmundham, Suffolk IP17 2NX,  
March 12.

Letters that are intended for publication should carry a daytime telephone number. They may be sent to a fax number — 0171-782 5046. e-mail to: letters@the-times.co.uk

### Church weddings

From Mr Michael Rose

It is hardly surprising that fewer people are getting married in Church (report, March 13).

My daughter and her boyfriend (who is also British) live and work in a small country town in Italy. Neither of them is currently resident in an English parish, so an application was made last December to the Faculty Office of the Archbishop of Canterbury for a special licence to marry in the church with which my daughter felt she had most connection. This was where she herself was baptised by her grandfather, where she went often to church on family visits to England and where her grandparents are buried.

The licence was refused by the Archbishop's registrar on the grounds that she could not show sufficient longstanding and personal connection with the church in question.

Yours faithfully,  
MICHAEL ROSE,  
24 Thornhill Square,  
Islington, N1 1BQ,  
March 14.

### Pressures of life

From Mr Leslie King

Sir, Having followed Dr Thomas Szumford's advice (Body and Mind, December 2, 1997) and persuaded my doctor to let me try the new drug Phylisens to combat high blood pressure, I find I am denied my daily glass of red wine, which Dr Szumford recommends, because this medication precludes alcohol.

What a sad life this is. Yours faithfully,  
LESLIE KING,  
Woodlands,  
Lower Blandford Road,  
Shaftesbury, Dorset SP7 0BG,  
106261.2702@compuserve.com  
March 9.

### Questions in the House

From Dr Julian Lewis, MP for New Forest East (Conservative)

Sir, So far as I know, the excellent Matthew Parris had little or no access to my work at Conservative Central Office, which he nevertheless denigrates (Political sketch, March 12).

He and the Prime Minister are right to point out that I was briefly in the Labour Party 20 years ago. The very good reason for this was to expose the antics of the Militant entryists, who were belatedly expelled a decade afterwards.

Matthew's quotation from my question to the Prime Minister also contrives to be partial. As he knows, I was contrasting the award of Companion of Honour to Professor Eric Hobsbawm, despite his lifelong commitment to communism, with the blocking of a knighthood for Sean Connery, because of his well known support for Scottish nationalism.

By accusing me, in his reply, of sympathising with the SNP, Mr Blair confirmed his inability to keep political considerations out of the awarding of honours — except in the case of a veteran Marxist with close personal links to the new Labour elite.

Yours faithfully,  
JULIAN LEWIS,  
House of Commons,  
March 13.

### Internet addiction

From The Dean of Lichfield

Sir, Logging on to a website to seek help with Internet addiction (report, March 16) is like going into a pub to cure one's alcoholism.

Perhaps we should give up the Internet for Lent, before it gets the better of us: from sins of body, mind and modern. Good Lord deliver us.

Yours etc,  
TOM WRIGHT,  
The Deanery,  
Lichfield, Staffordshire WS13 7LD.  
tom.wright@virgin.net  
March 16.

### 'Fatal overstretch' of Scots museums

From Professor Duncan Macmillan and others

Sir, On March 19 the Heritage Lottery Fund (HLF) will decide on the application from the National Galleries of Scotland for £18.5 million towards the cost of a National Gallery of Scottish Art and Design to be housed in Glasgow's Sheriff Court. The actual content and purpose of this proposed gallery is still unclear. But it is clear that if the core is Scottish art, it would fundamentally weaken the existing national galleries by removing the major Scottish works. And as Scotland moves to open its new parliament, the National Galleries of Scotland must have at their heart the Scottish collection.

This project would also fatally overstretch the existing national galleries' resources. Lord Rothschild is chairman of the HLF and in the current *The Art Newspaper* he himself warns against "the white elephant syndrome": the expansion by museums beyond their resources in just this way. The Trustees of the national gallery themselves have already admitted that because of the Glasgow project they cannot proceed with a loan scheme they had proposed which would have brought the national collections to Scotland as a whole. Glasgow's legitimate wish to have access to the national collections would have been met by this scheme.

The HLF's own officers have pointed out that there had been no adequate public consultation when the present application was first lodged. That situation has not changed. The decision on a project with such far-reaching consequences should surely be made when Scotland's new parliament is installed, when there will be machinery in place for full public discussion.

For this project to go ahead now would preempt that discussion and fatally inhibit any future national policy for the visual arts.

Yours faithfully,  
DUNCAN MACMILLAN,  
Professor, History of Scottish Art,  
University of Edinburgh,  
MURDO MACDONALD,  
Professor, History of Art,  
University of Dundee,  
DEIDRE ROSEBERY,  
Trustee, National Galleries of Scotland, 1986-92,  
PAUL SCOTT,  
President, the Saltire Society,  
c/o The University of Edinburgh,  
Old College, South Bridge,  
Edinburgh EH8 9YL,  
March 13.

### Red card

From the Financial Secretary to the Treasury

Sir, I must give you a red card! It is well known throughout my constituency that Bristol City Football Club enjoys my full support. I was therefore shocked to see in your illustration, "Team Brown: Gordon's Champions" (March 14), my alleged allegiance to Bristol Rovers Football Club.

While Rovers does enjoy a friendly rivalry with City, it was nonetheless a grave mistake to paint me in their colours.

I am not called Red Dawn for nothing.

Yours sincerely,  
DAWN PRIMAROLO,  
Treasury Chambers,  
Parliament Street, SW1P 3AG,  
March 17.

### Pornography and art

From Mr John Coduri

Sir, Mr David Milne (letter, March 13) has a point. The confiscation and destruction of his book by Customs at Dover is intolerable.

However, are we or David Milne really to trust the statement of destruction? What proof is there that the act has been carried out? I suggest he demands the ashes and has them DNA tested, otherwise we might think that someone has quiet enjoyment of his book.

The confiscation of the Robert Mapplethorpe book by the West Midlands Police (letter, March 5) when violent crime is occurring in their area indicates to me that scarce funds are wrongly allocated.

Yours sincerely,  
JOHN CODURI,  
75 Llantrisant Road,  
The Graig,  
Pontypridd CF37 1LN,  
March 13.

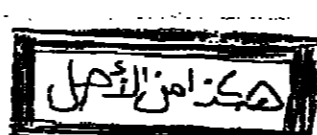
### Seeing the light

From the Reverend Stuart W. Lewis

Sir, The final item in Judith Wilson's "Shop Watch" column (Weekend, March 14) reads: "Update: Graham & Green's new stock includes dog collars with flashing lights (£17.95)".

I took it at face value and found myself considering their suitability for party wear. Then had to pause for thought. Is this a sign of over conditioning?

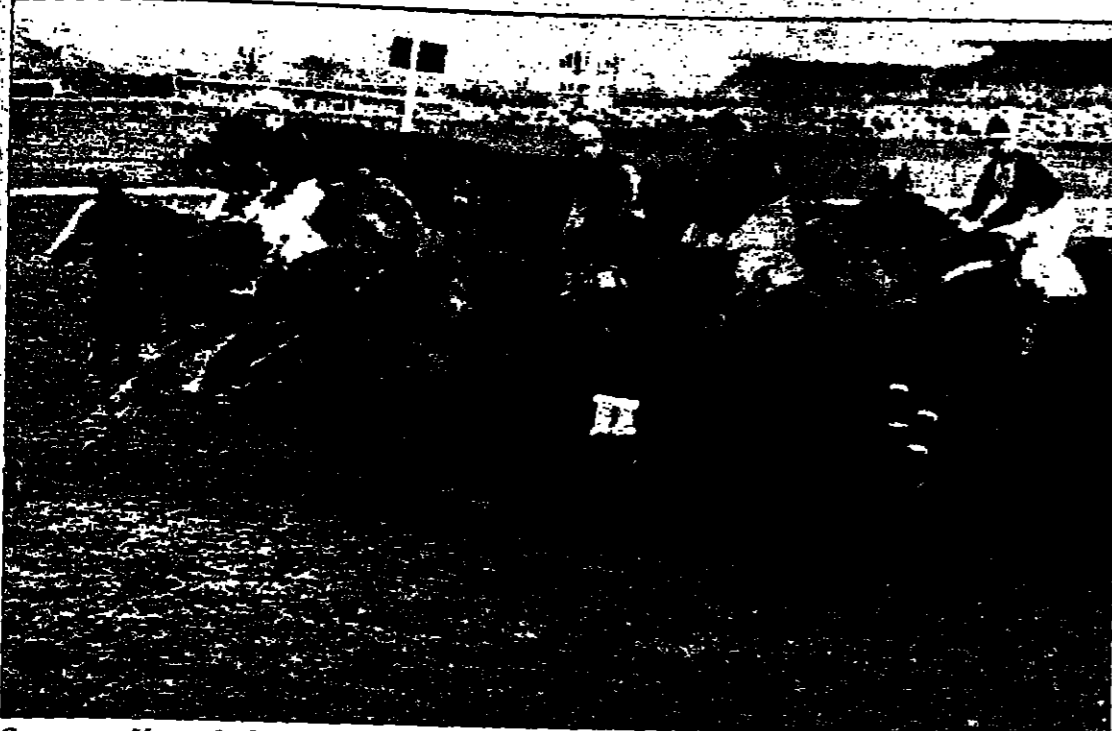
Yours faithfully,  
STUART W. LEWIS,  
The Rectory,  
Brampton Abbots,  
Ross-on-Wye,  
Herefordshire HR9 7JD,  
March 17.





OBITUARIES

CAPTAIN RICHARD COURAGE



Courage, on Young Cuthbert, leads over the first fence in the Grand Military Gold Cup at Sandown, 1935

Captain Richard Courage, OBE, DSC, horseman and Fleet Signals Officer, died on February 27 aged 88. He was born on November 14, 1909.

Naval officers are usually prone to a loss of dignity when on horseback, but Dicky Courage was a most accomplished horseman and at various times a jockey, crack polo player, owner and trainer. He was the only serving naval officer ever to own and ride the winner at the Grand Military Gold Cup, known as the "Soldiers' Grand National". Leading from the first fence at Sandown Park in 1935, he and his horse Young Cuthbert won by two lengths in a field of 19. His first public appearance as a jockey had been at the Hambledon Hunt point-to-point at the age of 16, and he went on to win races at many famous racourses. Richard Henry Courage was the son of Commander A. V. Courage, who owned and trained two of the runners in Golden Miller's Grand National of 1934. Richard went to Lymington at 13 and went to sea in the battleship Warspite. Despite being the lowest form of life on board, Courage recorded in his midshipman's journal a commendable initiative in that within five days of joining he had "hired a polo pony and had a knockabout on the Marsa ground" in Malta. Also in Warspite at that time was Lieutenant-Commander Lord Mountbatten, zealously making his professional name as the assistant fleet wireless officer, and an equally zealous polo player. In 1927 and 1928 Midshipman Courage was by far the youngest member of Mountbatten's victorious naval team, "the Strippers". After two years of loan service with the Royal New Zealand Navy in the

cruiser Dumedin, Courage returned home to qualify as a signals specialist in 1935. As squadron signals officer to Rear-Admiral Max Horton in the cruiser London, he took part in the Abyssinian crisis and the evacuation of refugees from the Spanish Civil War. From June 1939 until November 1941 Courage was Fleet Signals Officer, East Indies Station, based at Colombo. Convinced that a highly favourable report on his technical ability was owed, entirely to his having repaired the wireless set owned by the C-in-C's son, he modestly played down his considerable leadership in setting up the area communications needed for the impending war. For this work he was appointed OBE. Courage returned home, the last leg of his journey being a hair-raising flight from Gibraltar in a Sunderland flying boat. The Sunderland was attacked by a German Heinkel, and Courage, travelling as aircrew, had to use his newly acquired skills as an air gunner. The Heinkel departed trailing smoke. A tour as a signals instructor was followed by appointment in August 1942 to the cruiser Scylla as Home Fleet Signals Officer. He was also on the staff of Rear-Admiral Bob Bennett, who commanded the escorting forces for the large convoy PQ18 from Loch Ewe to Murmansk. This convoy had significance in that it immediately succeeded the catastrophic PQ17, which had erroneously been ordered to scatter and had suffered heavily. PQ18 had a hard-fought passage, losing ten ships to air attack and three to U-boats. Courage recalled many losses even on the first attack, with German aircraft coming in low and "numerous as coveys of grouse," and the horror of the destruction of an ammunition ship and one carry-

ing-ased petrol. Scylla was soon packed with survivors of all nationalities. For his coolness and professionalism in managing the complex communications of this operation, Courage was awarded the DSC. He was in the battleship Duke of York when the Home Fleet, acting on Enigma information, entrapped and sank the battleship Scharnhorst on December 26, 1943. This was a night action in foul weather for which the C-in-C, Admiral Sir Bruce Fraser, had practised assiduously; it required a skilful co-ordination of numerous forces and the protection of two convoys. Courage's lively account records how he and Fraser were the only two actually to see Scharnhorst, illuminated by starshell, from the flag bridge, and how both narrowly missed being brained by a clock that fell off the bulkhead from the shock of Duke of York's first salvo. After the battle Courage was dispatched to the Admiralty with the detailed report of the action and was greeted with a certain frostiness. Fraser's plan that Courage should arrive in 18th-century style on a horse had actually failed but had also been leaked beforehand: "You may have time for fun and games, we don't," was the reaction. In May 1944 Courage made a great success of setting up under conditions of secrecy and haste the naval communications for the immense D-Day invasion at Eisenhower's headquarters in Southwick House near Portsmouth. With numerous signal handling innovations, his system coped magnificently with the volume of traffic and, despite numerous scares, preserved vital security. Later that year Admiral Fraser was appointed C-in-C British Pacific Fleet and immediately asked for Courage as his Fleet Signals Officer. Joining the immense American Pacific Fleet



with its huge blue-water reach, advanced aircraft-carrier techniques and many victories was a daunting business. Courage's urgent task was to convert the British to American communications procedures, equipment, publications and codes. Many contemporaries bear witness to his energy, ability and charm. With Fraser, he was one of the few British officers to witness the Japanese signature to the instrument of surrender aboard the battleship Missouri in Tokyo Bay. After the war he was appointed second-in-command of the large aircraft carrier Illustrious and had staff tours with the Fleet Air Arm and in the Admiralty. Next came his only seagoing command, the sloop Flamingo in the Persian Gulf, where he was involved in the Iranian crisis of 1950-51. His last appointment before he retired at his own request in 1953 was command of the naval air station near Warrington, HMS Blackcap. Here he rode his last race, finishing third in the 1951 Liverpool Fox-hunters on his own mare, Prudent Glen, surely the only time that a serving naval officer in his forties finished in the frame at an Aintree Grand National meeting. They were real Captain Becher fences in those

JOHN PHILLIPS

John Phillips, CBE, QC, died on February 19 aged 86. He was born on June 9, 1911.

JOHN PHILLIPS combined a successful legal practice with a distinguished career in public life. Towards the end of his career he was not only a Queen's Counsel and Head of Chambers at Verulam Buildings in Gray's Inn, but also president of the Healthcare Insurance Private Patients Plan, as well as holding several public offices. His professional success owed everything to his native wit and endless capacity for work, and nothing to any advantage of birth. John Francis Phillips was born in London in modest circumstances and left school to become a clerk in a firm of solicitors in Bedford Square. In 1933 he joined the Lord Chancellor's department and he remained a civil servant until 1944. It was during this time that he produced an edition of Heywood and Massey, the leading textbook on what was then known as "tenancy practice".



In his spare time he studied for an external degree in law at London University. He was admitted to Gray's Inn in 1941 and called to the bar in 1944, having obtained a first-class degree in law from Trinity Hall, Cambridge, to which town his department was evacuated during the war. Deciding that a career at the bar was too precarious for a newly qualified barrister with a wife and two young children (and a third on the way) — especially when he had no connections — in 1944 he left the Lord Chancellor's Department and joined the National Farmers' Union as its parliamentary secretary and assistant general secretary. He wrote a volume on The Agriculture Act (1947), and worked for the NFU until 1956, when he was appointed OBE for services to agriculture. Phillips had by then acquired a reputation not only as an acute legal mind but also as a first-class administrator, and in 1956 he was appointed chief executive and secretary of the Institute of Chartered Secretaries and Administrators, the professional "association" of company secretaries. During his time with the institute, with which he remained until he reached retirement age, Phillips developed his strong interest in business ethics and education. From 1974 to 1980 he was deputy chairman of the Business Education Council. He also acquired several other public appointments: for ten years he was deputy chairman

of the Eggs Authority, a statutory corporation; from 1975 he was member of the council and executive committee of the Animal Health Trust, of which in May 1978 (at the age of 67) he was made an honorary fellow; and from 1976 he was chairman of the Associated Examining Board. It was perhaps only when he reached retirement age in 1979 — at which point he was advanced to CBE for services to education — that Phillips's career really took off. He was accepted into chambers at Verulam Buildings, Gray's Inn, and took silk in 1981, shortly thereafter becoming Head of Chambers. He only once appeared in court, when he received instructions in a complex commercial matter in the Seychelles (in which he was successful, although it is said that his gown never recovered from the heat). Instead he maintained until his late seventies a busy practice as an arbitrator, publishing a textbook on the subject. From 1980 to 1984 he was chairman of the London Court of International Arbitration. He remained active in public and commercial life even in retirement. He had since 1958 been a member of the board of Private Patients Plan; he remained its president, and was active in its affairs, to the end of his life. He had a great love for the City of London and its institutions. He was a member and sometime Master of the Scriveners, an ancient Company, and he founded two new ones — the Chartered Secretaries and Administrators in 1977, and the Arbitrators in 1981 — both of which he also served as Master. John Phillips was for many years a pillar of St Andrew's Church in Upper Holloway, acting as church warden, lay reader and legal adviser to its congregation, and contributing also as a fine baritone. It was there that in 1937 he married Olive, his wife of 60 years; she and their three children survive him.

STUART GRAY

Stuart Gray, architect, died on February 20 aged 92. He was born on July 15, 1905. STUART GRAY was a pre-modern architect in the neo-classical mould. He became the mainstay of the huge Watkins Gray international partnership and was one of the few architects alive in the 1990s

who had been instrumental in building up a flourishing practice long before the Second World War, going on to see it expand and specialise in hospital design on a vast scale. In this sphere alone, under Gray's direction, the practice became so professionally dependable that it was the most sought-after in the country, as well as abroad.

Alexander Stuart Gray was born in London and educated at Mill Hill School. From there, he was articled to an architect, R. S. Balmorie, studying at the Central School of Arts and Crafts in the evenings, then at the Royal Academy School of Architecture (established by Sir Albert Richardson, the neo-Georgian, for the encouragement of

classical design), where from 1928 to 1933 he won a series of medals (Bronze, Silver and Gold), which enabled him to travel. In 1932, Gray had joined the country practice of William Watkins, which had been founded in 1900 in Bristol. He was almost immediately involved in a limited competition for the design there

of Merrywood Grammar School, which he won. In those days, competitions were usually won on excellence of planning, not so much for imaginative flair and architectural excellence, and it is clear that Gray had a real gift in this direction. That is to say, he was an efficient planner, since he had already designed, at the age of 20, the Forum Cinema in Bath, seating 2,000. With its rounded arches, columns and Corinthian capitals, this was not a bad copy of John Nash, as opposed to John Wood, the architect of the city.



Gray then took a few months off with another firm. But in 1936 a very large commission for a housing development in Denmark Hill led Watkins to open an office in London's West End, recall Gray and put him in charge. Two years later a major competition for the rebuilding of St George's Hospital at Hyde Park Corner was announced, and again Gray won it, this time out of 50 entries. His proposal, for a characterless nine-storey colossus, was never built. This was due to the war, not because it would

have wiped out the William Wilkins building, a perfectly decent classical work of the early 19th century that would not have concerned developers in the Thirties, a decade which was notorious for the demolition of good architecture. But winning brought immense publicity to the firm as "hospital architects". Gray became a partner in the new practice of Watkins Gray, which was formed in 1939. There was another reward too. Sir Hubert Young, Governor of Trinidad, saw a per-

spective of the scheme in The Times and, as he was looking for an architect for a new hospital on the island, immediately offered the job to Watkins Gray. With that, the practice had jumped from being a country outfit to big-time international hospital architects within seven years. An overseas office was established, and Gray remained in Trinidad for the entire war. With the end of hostilities and the beginning of the Labour Government came the National Health Service and regional health authorities, clearly presenting future openings for the partnership, which was then involved with the conversion of St George's and a lot of work in Guyana, Barbados and Trinidad. In 1950 Gray was appointed assessor of a competition for a new hospital at Doha in Qatar (won by John Harris), which led to Watkins Gray being appointed architects for government buildings in Doha, a teaching hospital in Ibadan in Nigeria, and, with the opening of an office in Lagos, two further hospitals there, together with commercial projects. Later on in the 1950s they had four teaching hospitals on the books — three in London, one in Bristol — and by the early 1960s Gray was overseeing the planning of eight major hospital projects around the country, including the enormous St Mary's Maternity Hospital in Manchester. It was an extraordinary success story, though not one ever notable for architectural plaudits. Alexander Stuart Gray retired in 1968, remaining consultant to the partnership and putting his immense energy into books, of which his Edwardian Architecture, a work entailing 15 years' work and published by Duckworth in 1985, was his most interesting. Confined to the era in which he was born, the book covered every conceivable aspect of its subject, from the first garden suburbs, manor-titled underground stations and mansion flats, to architects such as Mackintosh and Lutyens, and the sculptor Epstein. For this Gray received the recognition he never had for his buildings. His wife predeceased him, as did a daughter; he is survived by a son and a second daughter.

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A CALENDAR OF DISEASE, WINTER EPIDEMICS ENDING, THE great epidemic period is ending for this year.

ON THIS DAY, March 18, 1922, Measles remains the chief baby-killer of the spring months just as diarrhoea is the chief scourge of the summer months.

THE NEW DICKINS AND JONES, Dickinson and Jones, Regent-street, will be open on Monday to its old and new patrons with its entire Regent-street frontage complete and a larger show-room space, as sanctioned by the London County Council, than any other similar house in the United Kingdom.

September: Scarlet fever and diphtheria epidemics begin, diarrhoeal diseases reach their height. October and November: Height of scarlet fever and diphtheria; diarrhoeal disease rapidly declining; influenza, bronchial conditions and heart diseases beginning to rise.



INSIDE SECTION 2 TODAY



BUDGET Gordon Brown on his vision for a new Britain PAGE 33



ARTS Let's hear it for us, say Britain's orchestras PAGES 39-42



SPORT Swan brings home Irish banker in Champion Hurdle PAGES 47-56

TELEVISION AND RADIO PAGES 54, 55

BUSINESS EDITOR Patience Wheatcroft

WEDNESDAY MARCH 18 1998

U-turn on Isas is expected to spark a dash into shares

Pep change buoys market as Chancellor's speech prompts mixed reaction

BY MARTIN WALLER, CARL MORTISHED AND DOMINIC WALSH

THE Budget will do nothing to stop the upward surge in share prices, analysts said last night, even if many of the changes that Gordon Brown, the Chancellor, introduced had been flagged beforehand. But one measure at least, the U-turn on individual savings accounts (Isas), which will allow investors to transfer their existing gains on Peps and Tassas, could spark a massive influx of new money into the market. Royal & Sun Alliance estimated that this could be £770 million. As a result prices closed on a bright note even if they were slipping from their best levels as the Chancellor delivered his message. Just 45 minutes before he stood up the FTSE 100 index was at its best, up 68.6 at 5,853.7. By the close, which almost coincided with the end of his statement, the index was 49.8 higher at 5,534.9.

trated on individuals rather than the economic essentials. Simon Briscoe, head of research and strategy at Nikko Europe, said: "We now have a Chancellor who is not really interested in the economy year to year, which reduces the value of the Budget, especially with the leaks and counter-leaks beforehand." Some observers said the economic summary with which Mr Brown opened his statement made a rise in interest rates more, rather than less, likely. Mr Buckland added: "The Chancellor said sterling was having a nasty impact on industrialist and manufacturers and then proceeded to do nothing to help them. There's been a missed opportunity to take pressure off base rates as the only way of slowing the economy." Likewise measures to encourage entrepreneurs and long-term investment received a mixed response. Ordinary investors are likely to be wowed off after the abolition of "bed-and-breakfasting" and the indexing of capital gains. Tax experts described the changes as a revenue-generating measure in the short term and some also challenged the Government's attempt to force entrepreneurs into taking long-term positions. The end of bed-and-breakfasting means that investors will no longer be able to lock in

gains every year and use-up their annual capital gains tax exemption. The loss of indexation will further increase the Treasury's tax take, as under the new rules, all of the gain is chargeable for tax in the first three years. There was relief over the apparent backtrack on Isas, which would stimulate investment by private shareholders. Mr Buckland said: "I wouldn't stand in the way of cashflows into the market in the next month - people will say, in we go." But one sector, at least saw an unexpected boost. Computer companies could gain millions of pounds from a proposal to allow them to claim tax relief against the depreciation of software programmes. This could wipe millions of pounds from the tax bills of companies who produce new software. There was some relief among housebuilders at the apparent reprieve for mortgage tax relief, and the Society of Motor Manufacturers and Traders thought the Budget would stimulate sales of smaller, more economical cars. But there was an extreme reaction from one industry that claims to have suffered more than most. Shepherd Neame, the Kent brewer that has launched an as yet unsuccessful legal challenge to the Government's last duty increase, threatened to stop paying duty altogether after yesterday's 1p-a-pint rise. Stuart Neame, vice-chairman, said: "I'm appalled. This makes it quite clear that we are now talking about our duty rate rising further and further out of line with other European countries."



Computer companies stand to gain millions in tax relief from the depreciation of programs

Raise rates, Brown hints to Bank

BY ALASDAIR MURRAY ECONOMICS CORRESPONDENT

GORDON BROWN yesterday dropped a strong hint to the Bank of England that he wants interest rates to rise again, leaving his Budget inflation forecast for this year well above the Government's own target level of 2.5 per cent. The forecast, coupled with the latest inflation data which showed the measure of underlying inflation rising above target, will increase pressure on the Bank for another rate rise as early as next month.

There was also disappointment in the City that the Chancellor maintained his highly cautious stance on the health of the public finances despite a record February public sector borrowing requirement surplus. The Treasury is predicting in the Red Book that inflation will peak at 3 per cent this year before meeting the 2.5 per cent target figure next year. Economists said the forecast increased the chances of a further quarter-point rate rise and would maintain pressure on the pound.

The February inflation data showed underlying inflation, which excludes mortgage interest payments, rising from 2.5 per cent to 2.6 per cent as shops moved prices upwards. Headline inflation also rose by a similar amount to 3.4 per cent. The Government was able to repay £1.86 billion of debt in February ensuring that after 11 months of the financial year, it has made repayments of £6 billion - a £20 billion improvement on last year. The unexpectedly healthy February figures enabled Mr Brown to revise down the estimate for the full-year PSBR in his Budget forecast to £5 billion from The Chancellor also marginally reduced his forecast for next year to £3.9 billion from £4.5 billion. Economists said the Government could balance its books as early as next year.

Commentary, page 31

BUSINESS TODAY

Table with financial data including FTSE 100, US RATE, LONDON MONEY, and GOLD.

RPI role for blades and veggie burgers

BY ALASDAIR MURRAY ECONOMICS CORRESPONDENT

THE current fads for rollerblades and veggie burgers received official recognition yesterday when the products were included in the retail price inflation basket. The Office for National Statistics, in its annual update of the RPI index, revealed that the humble ice cream and tasteless low-alcohol lager are to be consigned to a footnote in economic history. They are to be replaced by that American import, the "donut", and bottled lager.

The CD player's increasing domination of the music format market is also reflected by the introduction of personal CD players and CD singles and the removal of the radio-cassette player from the index. However, it is the inclusion of personal computers and mobile-phone charges for the first time that will attract most attention in the City. Computer prices have been falling steadily and are likely to have a sharp downward impact on overall inflation. The ONS is also building in a measure of quality to try to keep pace with the rate of improvement in information technology.

Mobile-phone charges are also likely to keep falling. However, the importance given to mortgage payment costs was increased. The RPI basket is updated each year, providing a useful snapshot of changes in social habits. When the index first appeared in 1947, it contained unskinned wild rabbits and lamp oil.

Tempus, page 32

Grade promises board changes at First Leisure

BY DOMINIC WALSH

MICHAEL GRADE, the chairman of First Leisure, yesterday bowed to shareholder pressure for board changes by promising to replace two non-executive directors. The concession fell short of demands for a majority of independent non-executives. It came too late to defuse the shareholder revolt over the re-election of three non-executives, which institutions had made the focus for their disenchantment with the board structure and Mr Grade's pay package. Although the non-execs - Joseph Bolton, David Bucks and Jonathan Woolf - were all re-elected, the majority was narrow. Ignoring absences,

they squeaked through with an average of 53 per cent of the votes cast. The level of opposition is the highest recorded in any recent shareholder revolt. Anne Simpson, of Fire, the corporate governance consultancy, said the vote was symptomatic of the "new mood" of willingness among institutional shareholders to act against boards that did not behave correctly. "Shareholders are moving to a situation where they want to see action not words," she said. Mr Grade told the annual meeting, held in the Equinox nightclub, in London: "I am pleased to report that the timetable for the board's plans

for restructuring has, after consultation with many of our larger shareholders, been advanced." He declined to disclose which board members would be stepping down, but confirmed that two new independent non-executive directors would be sought. Asked later whether he was surprised at the level of institutional discontent, he replied: "I'm not surprised given that our communication and consultation with our shareholders could have been more intensive. But it's been a difficult year in terms of getting the restructuring in place and getting the company moving."

Claremont shares hit by warning

BY FRASER NELSON

SHARES of Claremont Garments fell 34p to 51p yesterday after the clothing manufacturer issued a profit warning during the Budget speech. The company has postponed its year-end financial results, which were due today, after discovering "additional import costs of certain finished garments". The cost may relate to unpaid import tax on its textiles. Its auditors are conducting an investigation into the problem. Claremont also said that, on an underlying basis, profit will not exceed £1 million. Exceptional costs will total £9.7 million.

Booker chief goes after second profit warning

BY PAUL DURMAN

THE second profit warning in three months from Booker has prompted the food wholesaler to seek a replacement for Charles Bowen, chief executive, and to consider the sale or demerger of its smaller businesses as part of a wide-ranging strategic review. Mr Bowen is still negotiating his compensation but he could be in line to receive about £600,000. He was on a two-year contract that paid him £315,000 in 1996. Jonathan Taylor, chairman, said the review should be largely complete by June. He said: "The present configuration of the group may not be in the best interests of shareholders. Some other configuration,

involving sales, demergers or joint ventures, might realise more shareholder value." Disposal candidates include the UK salmon farming and the US poultry breeding businesses. Profits fell at both last year. The review will be headed by Alan Smith, the Storehouse chairman who is already a Booker director and who has become deputy chairman. Mr Taylor said the decision to remove Mr Bowen reflected Booker's poor share price performance. The January warning, which angered investors, was a catalyst. Working capital in branches of Booker Belmont Wholesale has fallen only slowly, partly because of serious problems at

the Dicoat distribution centre that led to stock shortages and a loss of customers. This year's profits will be "somewhat below" previous City forecasts of about £106 million. Ignoring exceptional items, Booker's pre-tax profits for 1997 came in at £76.1 million, a fall from £92.7 million. Besides the previously reported problems caused by last year's increase in tobacco duty, Booker also suffered at Christmas because it decided to exclude non-trade customers. Booker is paying an unchanged final dividend of 15.7p, increasing the total to 24p (23.8p) a share.

Tempus, page 32

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Government set on providing framework and opportunities to raise sustainable rate of growth

# Consumer spending expected to rise 4%

The Chancellor said the new ambition for Britain must be to encourage enterprise and entrepreneurship, to boost education and skills and to open markets to competition and opportunities

The following are extracts from the *Financial Statement and Budget Report, March 1998*.

THE British economy continues to suffer from a number of underlying structural weaknesses. The level of GDP per head is below that in the other Group of Seven economies and below the OECD average. In part this reflects Britain's relatively low capital stock per person employed — the result of years of underinvestment.

But it also reflects the failure of previous Governments to face the challenge of removing barriers to employment and growth. The Government is now set on providing the economic framework and opportunities to raise the economy's sustainable rate of growth. It is developing a comprehensive range of economic policies to achieve this objective through promoting economic stability and encouraging work and enterprise.

However, at the same time as putting in place policies aimed at improving the country's long-term performance, the Government has had to address the short-term pressures facing the economy. By the middle of last year the economy had largely used up its spare capacity and output was growing at an unsustainable rate, putting upward pressure on inflation. Both the monetary and fiscal policy action which has been taken since last May should ensure that domestic demand will slow through the course of this year, putting the economy back on track for more sustainable growth.

The Budget takes a further step forward in introducing policies that will encourage outcomes towards the more favourable ends of the ranges. But the actions of private individuals and businesses — for example, in avoiding excessive wage increases — will also be important in determining whether the more favourable prospects materialise. Responsible wage bargaining offers the opportunity to promote jobs.

There are, however, substantial risks to the short-term outlook that could result in outcomes well outside the forecast ranges. If domestic demand were to have more momentum than expected, the economy could face a more pronounced cycle of strong growth and inflationary pressure, followed by a sharper slowdown.

On the other hand there is also a risk that demand could slow more rapidly than expected, for example if there were to be a further deterioration of the situation in Asia, in which case inflationary pressure could underwhelm the forecast. Another and perhaps more unpleasant risk is that output could currently be further above its sustainable level

than estimated, implying greater inflationary pressure already in the pipeline, and the prospect of a sharper slowdown.

**TREND GROWTH**

BRITISH economic growth has averaged around 2.5 per cent a year since the mid-19th century and despite a rather better performance during the 1950s and 1960s, this average, or trend, growth rate has not been improved upon over the postwar period as a whole.

At the time of the November *Pre-Budget Report*, the economy was judged to be on trend, on average, in the first half of 1997. There has been no reason to change this view. But with output growth in the fourth quarter weaker than expected GDP is now estimated to have been around half a percentage point above its trend level in the final quarter of last year, compared with the 0.75 per cent estimate in the *Pre-Budget Report*.

The view that the economy is currently operating above trend appears consistent with a wide range of labour market indicators.

Both the Labour Force Survey and claimant count measures of unemployment are now below their previous troughs in 1990. The unemployment rate is relatively low in the South East where it is down to 3 per cent on the claimant count measure and around 4.5 per cent on the Labour Force Survey. The South West, Eastern and East Midlands regions also have LFS unemployment rates of 5.25 per cent or less, and are well below the national average on the claimant count measure.

There is also continuing evidence of recruitment difficulties and skill shortages. The latest British Chambers of Commerce Survey reported that recruitment difficulties are at similar levels to their pre-recession peaks in both the service and manufacturing sectors. Anecdotal evidence tends to reinforce the message from the surveys and suggest that skill shortages are becoming more widespread and earnings growth has increased from 3.25 per cent in the second half of 1995 to 4.75 per cent recently.

Taken together this evidence points to a labour market that is tightening to the stage of putting upward pressure on inflation. Moreover it seems likely that labour market participation is now close to its current trend level, further suggesting that there is no longer any cyclical slack left in the labour market.

**DEMAND AND OUTPUT**

AFTER expanding at an annualised rate of 3.5 per cent on



Guardians of the people's money: Alastair Darling, Chief Secretary, left, Dawn Primarolo, Financial Secretary, Gordon Brown, the Chancellor, Helen Liddell, Economic Secretary, and Geoffrey Robinson, Paymaster General, before the Budget statement yesterday

average between the end of 1996 and the middle of 1997 GDP growth slowed to an annualised rate of 2.5 per cent in the fourth quarter of last year. In 1997 as a whole, GDP is estimated to have risen by 3 per cent, compared with the 3.5 per cent *Pre-Budget Report* forecast.

The slackening in the pace of output growth at the end of last year largely reflected a deterioration in net trade performance, as the appreciation of sterling over the past 18 months began to impact on trade volumes. Abstracting from a relatively weak figure for the third quarter of 1997 (which appears to have reflected the timing of spending out of windfall receipts and the effects of the Princess of Wales's funeral in September) domestic demand growth has so far shown little sign of softening.

The impact of sterling's appreciation has also become evident in a growing divergence between the manufacturing and service sectors. Service sector output, which accounts for around two thirds of total output, rose by almost 4.5 per cent in the year to the fourth quarter of 1997. In contrast manufacturing output (around a fifth of the economy) rose by around 1 per cent over the same period, having stalled around the middle of last year and fallen since the autumn.

Latest monthly indicators show continued buoyancy of consumer demand into 1998. Both January retail sales and car registrations showed strong growth, and the underlying trends do not yet show convincing signs of a slowdown. Consumer confidence has dipped from its autumn highs, but remains well above normal levels.

In order to offset the inflationary pressures created by the positive output gap and to meet the inflation target by the end of next year, it is likely that GDP will need to grow below its trend rate for a time to generate a negative output gap.

Net trade is expected to continue to make a negative contribution to growth through this year and the first half of next year, reflecting the appreciation of sterling and the impact of financial turbulence in Asia, which has increased since November. In addition domestic demand growth is likely to slow through the course of the year in response to the increases in interest rates since last May and a tightening fiscal stance.

Depending on the extent of any improvement in labour market performance GDP is forecast to grow by between 2 and 2.5 per cent this year, slightly below the *Pre-Budget Report* forecast reflecting the recent developments in Asia. The counterpart to this and a slight downward revision to the estimated output gap at the end of last year is that growth in 1999 is forecast to be a little stronger than in the *Pre-Budget Report* forecast, consistent with meeting the inflation target. Growth is projected at 1.75 to 2.25 per cent in 1999 and 2.25 to 2.75 per cent in the year 2000.

**PERSONAL SPENDING**

THE year 1997 saw strong growth in personal spending. Aggregate consumer expenditure grew by 4.5 per cent, well above its long-run average, more than enough to account for the growth of GDP last year. Spending on consumer durables rose by almost 11 per cent a

rate of expansion last seen in the late 1980s.

The major driving force was the strength of households' finances. Real personal disposable income grew by 4.25 per cent last year, driven by cyclically strong employment growth and an acceleration of average earnings. Meanwhile a buoyant equity market led to an increase of £375 billion, or 25 per cent, in personal sector net financial wealth in the course of the year.

The rapid growth in consumers' expenditure can therefore be readily explained by movements in income and wealth. These forces put into context the more modest contribution to spending resulting from the £35 billion of windfall payments received by households during 1997 from the flotation of building societies and insurance companies.

The profile of consumer demand last year now points to a one-off windfall related expenditure having turned out lower than envisaged at the time of the *Pre-Budget Report*. Based on the MQR survey conducted last August, a transitory boost to spending of some £3.5 billion in 1997 had been expected, adding some 0.75 per cent to consumption growth for the year as a whole. In some areas windfall effects have been obvious, for example the summer boost to sales of household goods. Elsewhere, they are more difficult to pinpoint but the general run of indicators now suggests a boost to consumption of more like 0.5 percentage points last year with the largest impact recorded during the second quarter.

Underlying growth in consumers expenditure has clearly been

running at an unsustainable rate but it is expected to slow through this year partly in response to the increases in interest rates since last May. Already the impact is evident in the housing market where, according to most measures the recovery in prices has slowed. However, wider signs for a slowdown in consumer demand have yet to become so clear. Consumers expenditure ended 1997 strongly, up 5 per cent on a year earlier and the latest indications are that it has begun 1998 at a similar pace.

But such momentum seems unlikely to be maintained in the face of the contractionary forces expected to be acting this year. The windfall effect has probably already died away. High interest rates, meanwhile, take time to bite on spending partly as consumers assess the permanence of policy tightening and as annual review schemes trigger increases in mortgage payments. As the economy slows in response to the tighter policy stance, a downturn in the growth of real incomes is also expected. In particular, employment growth is likely to abate and the exceptional growth in financial income seen in recent years, reflecting strong growth in dividend income is expected to weaken. On the other hand asset prices have continued to be firm.

Perhaps the major uncertainty is the degree to which consumers will cushion spending through lower saving as income growth slows. As noted in previous reports the persistence of high personal saving has been one of the major features of the current upswing.

This contrasts markedly with the 1980s when the saving ratio (saving

as a percentage of disposable income) fell sharply, associated with a one-off stock adjustment to financial liberalisation and rising expectations of future income growth as the economy boomed. The housing market appeared to play a key transmission role at that time with rapidly rising prices encouraging individuals to spend more on the back of rising wealth, partly through a surge in secured borrowing to finance everyday spending.

The current upswing has not been associated with systematic changes in the financial system, and has also been rather different in at least two ways. First the house price to income ratio has been more stable relative to previous cycles and the housing wealth to income ratio has yet to recoup the losses of the early 1990s, dampening the willingness of individuals to borrow to finance consumption. Second, growth in real disposable income has been heavily buoyed by rapid growth in financial income over the past three years, particularly dividend receipts. Analysis suggests that such income exerts only a modest influence on consumer spending, which is not surprising as the bulk of it flows to pension funds rather than directly to households. This has helped to hold the measured savings ratio high.

Overall consumer spending is forecast to grow by 3.75 per cent to 4 per cent this year. While this would remain well above sustainable rates it conceals a considerable slowdown through the year and growth of 1.75 to 2.25 per cent is forecast for 1999. The saving ratio is assumed to decline to around 9 per cent by 2000 which is well above the levels recorded in the late 1980s and more so in underlying, inflation adjusted terms.

Britain's ratio of whole economy investment to GDP has been low by international standards and although non-residential and business investment ratios have been more on a par with other major economies, Britain has invested out of a lower level of GDP per head. Consequently UK investment per worker has been relatively low, leading to a deficient capital stock per worker. This is one key factor in explaining why the UK has a lower level of labour productivity than other major economies.

In order to catch up with major competitors in terms of GDP per head, it will be necessary to create the conditions for applying capital and labour more efficiently so as to encourage higher investment and realise higher productivity.

Reversing the UK's relatively poor investment performance is therefore a key element in the Government's strategy for raising the trend rate of GDP growth. In the present upswing investment has been relatively subdued. Whole economy investment fell as a share of GDP until last year, primarily reflecting general government investment and relatively subdued residential investment. Business investment has been rising as a share of GDP since 1994. Looking ahead it seems likely that investment will retain some momentum.

Brown said that the five-year deficit reduction plan was on track and being achieved more quickly than expected

The following are extracts from the *Financial Statement and Budget Report, March 1998*, on public finances.

**BUDGET DEFICITS**

EXCLUDING windfall tax receipts and associated spending, the PSBR in 1997-98 is estimated at £5 billion. This estimate is still subject to significant error, given the year. It compares with forecasts of £13.25 billion in the July Budget and £12 billion in the November *Pre-Budget Report*. The undershoot chiefly reflects an underspend on the control total, estimated at £1.5 billion, and higher tax receipts, principally from income tax following the introduction of self-assessment, VAT and social security contributions.

In spite of a reduction of over £2.5 billion in privatisation proceeds, the estimated PSBR (excluding windfall tax) is £17.75 billion lower than in 1996-97. About one quarter of this reduction is accounted for by tax measures in recent Budgets and by the introduction of self-assessment, the remainder reflects relatively fast economic growth and tight control of public spending.

The outcome for the current balance — the concept relevant to the "golden rule" — is still uncertain, since full figures are available only for the first three quarters of the financial year. It is estimated that the current balance will be close to zero in 1997-98. This follows six years of substantial deficits.

The general government financial deficit was larger than the PSBR, as it did not benefit from privatisation proceeds or a debt repayment by public corporations. On the Maastricht definition (which does not exclude the windfall tax),

the provisional outcome for 1997 was 1 1/2 per cent of the GDP, which is the same as forecast in the *Pre-Budget Report* and comfortably below the excessive deficits criterion of 3 per cent.

**FORECASTS**

THE current balance is projected to continue to improve next year. On a national accounts basis, total receipts are projected to rise by over £17 billion between 1997-98 and 1998-99, at a rate slightly faster than money GDP, which current public spending is projected to rise by £13 billion. As a result, the current account is projected to move into surplus (even when the windfall tax is excluded).

With net capital spending projected to rise, the financial deficit improves slightly less than the current balance between 1997-98 and 1998-99. There is little difference between the projected levels of the PSBR and public sector financial deficit, as privatisation proceeds are assumed to be zero, or between the public sector financial deficit and the general government financial deficit, as public corporations are projected to be close to financial balance. On all three measures, the deficit is projected to be around 1/2 per cent of GDP when the windfall tax is excluded.

The PSBR in 1997-98 is now estimated to be £5 billion lower than forecast in the July 1997 Budget. This reflects the shortfall in general government expenditure, higher government receipts and an unexpected repayment of debt by public corporations.

Public expenditure plans for years after 1998-99 will not be known until the summer when the results of the Comprehensive Spending Review are announced.

## Debt must be kept at a prudent and stable level

**ERRORS**

BUDGET deficits are the difference between two large aggregates of spending and receipts and forecasts of them are inevitably subject to wide margins of error. Over the past five years the average absolute errors in spring and summer forecasts of the PSBR for the financial year ahead have been of the order of about 0.75 per cent of GDP or plus or minus £6 billion at today's prices. Errors tend to grow as the forecast horizon lengthens.

Projections of the public finances are critically dependent on the path of the economy, as most tax revenues and some government expenditure, especially cyclical social security, vary automatically with the economic cycle. If GDP growth were 1 per cent higher or lower over the coming financial year than has been assumed, the PSBR might be higher or lower by around 0.25 per cent of GDP, equivalent to £2 billion in the first year and £20 billion in subsequent years. A difference of 0.5 per cent in the average rate of growth over four years could increase or decrease the PSBR by 1.25 per cent of GDP by the fourth year.

**RECEIPTS**

IN TOTAL the Budget measures increase tax receipts by £1.75 billion, £2.5 billion and £2.75 billion from 1998 to 1999 and from 2000 to 2001 respectively.

tively. Most of this extra revenue reflects the measures on company taxation and the cars package, offset in part by the Working Families Tax Credit, some of which scores as general government expenditure.

Total net tax receipts are estimated to have risen by 9.5 per cent in 1997-98. About 1.75 per cent of this increase is accounted for by previous Budget measures. Net tax receipts are projected to grow by 6 per cent in 1998-99, rather faster than money GDP, mostly reflecting the real increases in fuel and tobacco duties.

Higher than expected income tax payments by the self-employed were partly offset by lower receipts of PAYE. While the higher tax payments by the self-employed could partly reflect stronger growth of self-employment incomes it seems likely that the introduction of self-assessment has encouraged taxpayers to bring their tax affairs up to date and led to some previously undeclared income being notified to the Inland Revenue.

Corporation tax receipts in 1997-98 are slightly higher than expected in July but the

forecast for 1998-99 has been revised down by £2 billion largely to reflect the latest estimates of trading profits of industrial and commercial companies. The fall in corporation tax yield expected between 1997 and 1998 and 1998 and 1999 also partly results from the cut of 2 per cent in the main and small companies corporation tax rates from April 1997 announced in the July Budget.

In contrast to the downward trend over the previous decade, it seems likely that the ratio of VAT receipts to consumer spending has increased in 1997-98. Strong consumer spending growth has usually been accompanied by increases in the VAT base relative to total consumer spending, and this might explain some of the increase in the VAT ratio in 1997-98. With the economy projected to slow down the projections continue to assume a modest downward trend in the VAT ratio — an assumption which the National Audit Office endorsed as reasonable at the time of the November *Pre-Budget Report*. Compared with a flat VAT ratio this cautious assumption reduces receipts by £1.5 billion by 2002-03.

**CONTROL**

Spending in 1997-98 is estimated at £264 billion, a fall of 1 per cent in real terms on the previous year. This estimate represents an underspend on plans, as set out in the November 1996 Budget of

£1.5 billion. This underspend reflects tight control of programmes, a reduction announced in the *Pre-Budget Report* in the estimate of European Union contributions and lower than expected social security expenditure. The Government has reallocated this underspend in the current year to 1998-99 consistent with its commitment to work within the control totals inherited for two years. The control total of £275 billion for 1998-99 represents a rise in spending of 1 per cent in real terms but a slight decrease as a percentage of GDP. Spending plans over the medium term will be set only after the comprehensive spending review has been completed.

With unemployment declining, real spending on cyclical social security has been falling since 1994-95. It fell by 6 per cent in 1996-97 and is expected to fall by a further 11 per cent in 1997-98. The forecast assumes that British claimant unemployment remains flat at its January level of 1.40 million. On this basis, spending on cyclical social security grows by an average 2.25 per cent a year in real terms, as underlying spending on the non-employed continues to rise. There are also Budget measures which as part of the children's support package are estimated to increase cyclical social security by £100 million in 1998-99 and £300 million thereafter.

IN THE July Budget the Government announced that it would work within the previous Government's control total plans for the first two years of the Parliament. For 1997-98 there has been an underspend on the control total, reflecting tight control of programmes and lower de-

mand led spending. This underspend has been carried forward into 1998-99. There has been some reallocation between departments to reflect the Government's priorities.

The major differences from plans are:

- Changes to plans for Department of Environment, Transport and Regions reflect extra money provided in this Budget for public transport and the new deal for communities in 1998-99, lower costs of housing subsidies and the introduction of certain new licence fees.
- The extra money for schools announced in the July Budget is reflected in the local government and territorial department lines.
- Changes to the education and employment line are due to a reprofiling of the sale of student loans from 1997-98 to 1998-99 and increased take up of end-year flexibility and include the Department for Education and Employment's share of the extra £250 million in this Budget.
- The extra £2 billion of resources for the NHS over the next two years, announced by the Chancellor since the Election, is reflected in the health and territorial department lines.
- The fall of £170 million in 1997-98 and a rise of £570 million in 1998-99 for Social Security reflects revised estimates of the number of claimants and the up-rating of benefits in line with inflation, the extra £190 million in this year and next for the pensioners fuel payment announced in the *Pre-Budget Report* and the impact of some large receipts from sales of state-owned assets.
- The forecast for net payments to the European Community has been revised down for 1997-98 partly on account of the higher exchange rate.

**BUDGET DEFICITS**

	Billions	1996-97	Estimate 1997-98	Forecast 1998-99
Receipts <sup>1</sup>	288.1	315.7	333.0	
Current expenditure <sup>2</sup>	308.3	314.5	327.5	
Current balance	-20.2	1.2	5.5	
Current balance excluding windfall tax <sup>3</sup>	-20.2	-1.3	3.6	
Net capital spending <sup>4</sup>	6.7	6.3	7.0	
Public sector financial deficit	26.9	5.1	1.8	
Privatisation proceeds and other financial transactions	4.2	2.5	-0.8	
PSBR excluding windfall tax <sup>5</sup>	22.7	2.6	2.3	
PSBR	22.7	5.0	3.9	
General government financial deficit — £ billion	22.7	5.7	1.3	
— per cent of GDP	3.8	0.7	0.1	
Money GDP — £ billion	752.3	796.8	833.6	

<sup>1</sup> On a national accounts accruals basis. Includes capital taxes. Excludes depreciation of fixed capital. <sup>2</sup> Excluding windfall tax receipts and associated spending. <sup>3</sup> Net of depreciation and less capital transfer receipts and includes capital grants. <sup>4</sup> Excludes on a Maastricht basis (which does not exclude the windfall tax and associated spending).

# Brown's bowdlerised Budget

COMMENTARY  
by our City Editor



Quite what the Budget might have been, had it emerged as Gordon Brown once intended, is bound to be a topic of intense speculation. Was the 10 per cent tax rate sacrificed, for instance, to avoid abolition of mortgage interest relief and other hits on Middle Britain? The one the Chancellor presented is not quite the radical affair that his overture claimed.

The only important innovation rightly focused on where it is needed most, in encouraging families on low incomes. They will doubtless temper hope with scepticism born of experience.

The middle classes, at least, will be grateful for the Chancellor's modesty. Consultation on the individual savings account left him no choice but to change the original proposals. Peps will be capped and not totalled with Isas, though losing most tax advantage.

At a stroke, this should hush charges of retrospective legislation from established savers, at minimal tax cost. It should also get the scarcely airyworthy new scheme off the ground. Proven savers can be relied on to keep saving while Tesco struggles to corner the Christmas club market. For modest savers, the other nice surprise was the Chancellor's welcome failure to axe the annual capital gains tax allowance. Instead, he will index it.

Mr Brown had bigger fish to fry. The latest capital gains tax reform is the puzzle of the

Budget. The Chancellor was determined to treat bad short-term "speculative" gains and potentially good long-term gains differently. But this was not easy. So he resorted to abolishing indexation of gains.

Oddly, this is short-term thinking. On that view, taxing nominal gains is much less punitive if inflation is 2.5 than 25 per cent a year. If you hold assets for the long term, however, the cumulative impact of inflation even at 2.5 per cent is huge. The tax on inflation is back, and harder to avoid now that investors are discouraged from using their annual allowances on continuing investments.

The safety-first investor's capital gains tax bills could easily double as well as becoming even more complex for years to come.

For the ragingly successful entrepreneur, or even for the risk-taking portfolio investor, the change looks better. The bigger the capital gain, the more favourable the new regime becomes. Gains on business assets are heavily discounted after ten years, it being more virtuous in Blairland to make lots of money in ten years than five. If you are a steady-state owner, who keeps the business in good order rather

than turning it into the next Glaxo, then Mr Brown's inflation tax could still be punitive.

There may be something to be said for putting a high-profile industrialist like Martin Taylor (or Sir Colin Marshall) in charge of your reviews. The Taylor-inspired national insurance reform looks simple, logical and cost-saving. What a pity Mr Brown did not take the chance to cut the tax on jobs instead of putting a tax back on inflation.

## Manufacturing left to make own rescue

February's astonishingly good public borrowing figures were excellent news for Britain but a double-edged sword for the Chancellor. It appears that, barring an unprecedented departmental spending spree in the final month of the tax year, which seems unlikely given the evident success of the Treasury in

controlling outlays, that the public finances could be virtually in balance this year.

The contrast with later Conservative administrations, who largely created the buoyant economic conditions that lie behind February's repayment of borrowing, could not be clearer. Under the leadership of Chancellors Norman Lamont and Kenneth Clarke, Britain's glide path to fiscal respectability always seemed to be a year late. Under the undoubted discipline of Gordon Brown's regime, budget balance appears likely to be achieved a year early.

No Chancellor could be sorry at this happy state of affairs but, for Mr Brown, there is a worrisome message in the very excellence of the news on public borrowing. It will inevitably mean more pressure from Labour backbenchers to spend more on the priority areas to which the Government has committed itself. How much more intense will charges become

that the Chancellor is building a war chest for populist spending just before the next election?

Even more seriously, the fact that budget balance is already within grasp is a sign that the economy has been extremely strong. Yesterday's figures showing a small rise in inflation (although, all credit to the Office for National Statistics, the inclusion of computers at last should mean permanently better news on inflation in future), reinforced the picture of a buoyant consumer economy. That is bound to revive and intensify the view in the City that Mr Brown missed his chance to squeeze the consumer economy sufficiently last July and that, if politics would allow, the Chancellor ought aggressively to have raised taxes on consumption yesterday.

Seeking the negatives out of very good news may seem childish but it remains a fact that the economy is hopelessly imbalanced between weak manu-

facturing and strong services. A broadly neutral Budget leaves the threat of higher interest rates and an even stronger pound intact. That is something Mr Brown appears prepared to live with and, if he is able to channel more money into Welfare to Work, health and education, he may be content to leave manufacturing to fend for itself.

## A timely lesson in successful merging

The first set of results from Diageo demonstrates the wisdom of putting Grand Metropolitan and Guinness together, even if the resulting business has been saddled with an atrocious name.

The cost savings that are already coming through indicate that the companies' estimates of the benefits may have been sensibly understated, some in the industry suspect by as much as 100 per cent. John McGrath, chief executive, will have the luxury of choosing how to sip the other half.

The success of the merger raises again the question of how on earth Allied Domecq intends to respond. For all the market's

helpful suggestions, there is as yet no sign of Allied finding a partner to support it in the increasingly tough international drinks business.

Not that mergers are ever entirely painless. This one, though, is benefiting from being a genuine merger in name only: the disposition of top jobs has left little doubt that Guinness has effectively been taken over by McGrath and his GrandMet team. His reasonableness on this front at least gained former Guinness chairman, Anthony Greener, a stint as chairman of the new group.

Perhaps he should have a chat with the SmithKline Beecham chairman, Sir Peter Walters. He could explain that a chairman's role is not always a happy one, but when there are massive cost savings to be had and shareholder value to be enhanced, sacrifices may be necessary.

## Empire building

NICK LESLAU is moving fast to create his new property empire, having grown bored with Burford and frustrated with Trocadero. What was particularly intriguing yesterday were the warm words he had for MEPC. Maybe he just felt he should be gracious about his new shareholder. Or could the ambitious Leslau believe that he can succeed where Hamnerson and British Land failed, and achieve change at the top of MEPC?

# Maiden profit at Diageo in line with forecasts

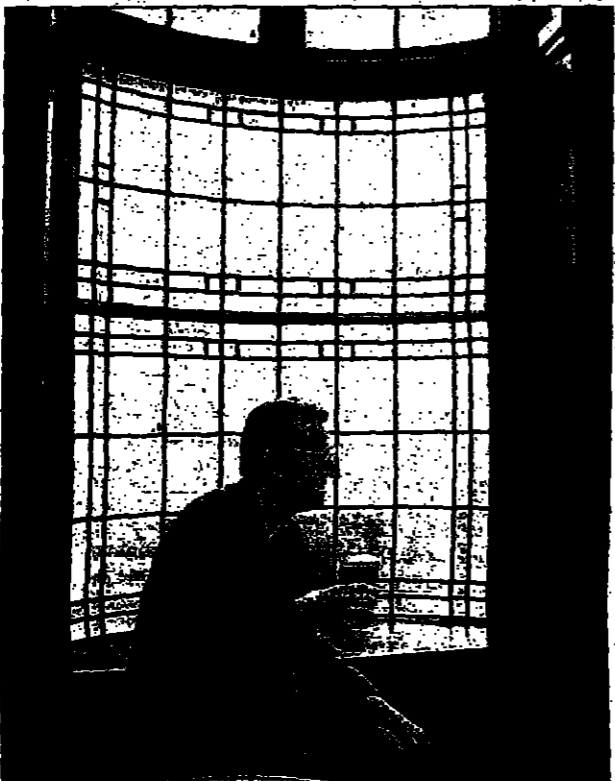
By DOMINIC WALSH

DIAGEO, the food and drink group spawned from the marriage of Guinness and Grand Metropolitan, shrugged off fears over Asia to post a maiden pre-tax profit of £195 million in 1997, a rise of 9 per cent (Commentary, page 3).

The improvement, which was exactly in line with market forecasts, does not include exceptional charges of £549 million and a £138 million currency hit. The charges included merger-related expenses of £85 million, integration costs of £44 million and the £250 million payment to secure the agreement of LVMH, its biggest shareholder, to the merger. Turnover dipped from £13.44 billion to £12.39 billion.

John McGrath, chief executive of Diageo, said the group's target of achieving £195 million in annual cost savings within three years was going to plan, although analysts believe the figure understates the enlarged group's true potential.

Mr McGrath said the auction of Dewar's whisky and Bombay Sapphire gin to meet regulatory requirements was progressing satisfactorily although an announcement was some way off. He said a number of trade and financial buyers were still look-



John McGrath said cost savings were going to plan

ing at the two brands and described a recent report that the Bacardi family was the only remaining bidder for Dewar's as "bizarre".

In order to marry up the

different financial year-ends of Guinness and GrandMet, yesterday's results from Diageo were presented as the second set of interim in an 18-month accounting period. In the sec-

ond half of 1997, profits before tax and exceptional were up 10 per cent to £1.2 billion at level exchange rates.

Mr McGrath admitted the Asian crisis was having an effect on the company, but added: "Asia accounts for just 7 per cent of Diageo profits and I guess the impact on the group is around 4 per cent of profits, which puts the situation in perspective."

Second-half earnings per share before exceptional were up 2 per cent to 20.6p and 3 per cent higher for the full year to 33.3p. As previously announced, Diageo will pay an interim dividend of 12.5p on April 24, of which 5.3p is a one-off payment to reflect the change in the year-end. It will be paid as a foreign income dividend.

LVMH Moët Hennessy Louis Vuitton, meanwhile, raised net income by 23 per cent to Fr4.52 billion (£443 million) in the year to December on sales up 54 per cent to Fr48 billion. The group has so far enjoyed a profit of Fr10.3 billion on its holding in Guinness and then Diageo shares. The Diageo shares are still held. LVMH is to pay a net Fr22.30 total dividend for the year, up 9.3 per cent. An interim of Fr6.30 has already been paid, leaving a Fr16.00 final to be paid in June.

## Texas raises Energy stake after raid

TEXAS UTILITIES launched a £310 million market raid to lift its stake in The Energy Group to 22 per cent (Christine Buckley writes).

Texas, whose £4.45 billion offer leaves it ahead of PacificCorp in the battle for Energy, bought 36.9 million shares at its offer price of 840p a share. PacificCorp dismissed the action as premature as Texas does not yet have full regulatory approval from the UK authorities. If PacificCorp were to his back with a bid to top Texas's offer and Texas were to refuse to sell its stake then PacificCorp would be unable to include Energy in its tax regime because to do so it would need to own 80 per cent of the shares. However, if PacificCorp were to mount a knockout bid it is thought unlikely that Texas would hold its stake as a block.

## Hart resigns as head of the AITC

By GAVIN LUMSDEN

THE beleaguered investment trust industry suffered a major setback yesterday when Michael Hart, head of its trade association, resigned after just two months in the job.

Mr Hart, 65, became director-general of the Association of Investment Trust Companies in the New Year after retiring as chairman of Foreign & Colonial Management (FCM) in December. Until last July he had managed the Foreign & Colonial Investment Trust for 28 years.

His arrival at the AITC was hailed as a step forward for the £56 billion industry at a time when it faced mounting unrest from institutional investors over the sector's poor share performance and the almost overwhelming competitive pressure of unit trusts in the retail market.

Mr Hart was immediately

pitched into a bitter corporate governance row as shareholders in the Brazilian Smaller Companies Investment Trust rebelled against FCM, the trust's manager. In January Mr Hart suffered the humiliation of being voted off the Brazil board, fatally weakening his authority.

His departure could hasten calls for the AITC to merge with its rival, the Association of Unit Trusts and Investment Funds.

On Monday Mr Hart complained of feeling unwell and yesterday handed in his resignation.

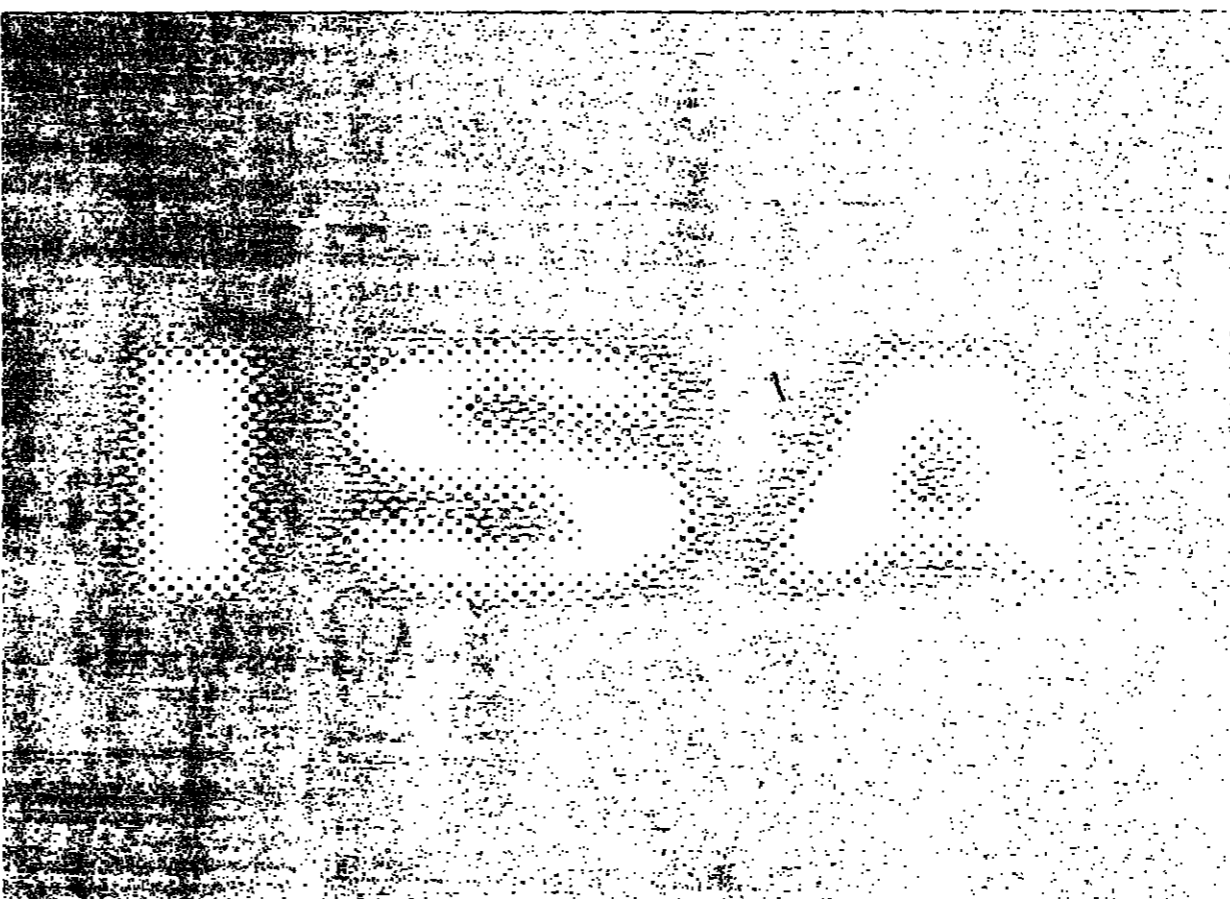
Andrew Barker, chairman of the AITC and a director of FCM, paid tribute to Mr Hart. "He was appointed to the AITC in a part-time capacity but the demands of the role were greater than even he expected."

## Bass sells gaming machines

BASS, the brewing to hotels group, took a further step in the reshaping of its business yesterday with the sale of its games machine business for £42 million (Dominic Walsh writes).

Barcrest, which designs and manufactures gaming machines, is being sold to International Game Technology, the world's biggest slot machine maker, based in Nevada. It has made an operating profit of £8 million in each of the past two years.

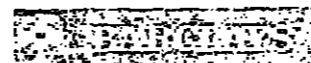
The sale of Barcrest is the latest in a series of disposals by Bass as it aims to concentrate on higher-margin branded pubs, hotels and brewing operations. It recently sold its bingo and Coral bookmaking businesses, helping it to buy Inter-Continental Hotels for £1.78 billion.



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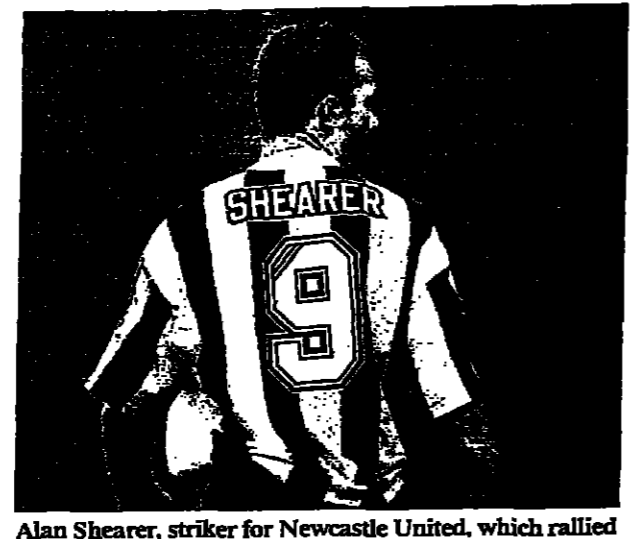
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سكز لمن الإمل

STOCK MARKET MICHAEL CLARK Stock Market Writer of the Year

FTSE at record despite caution over Budget

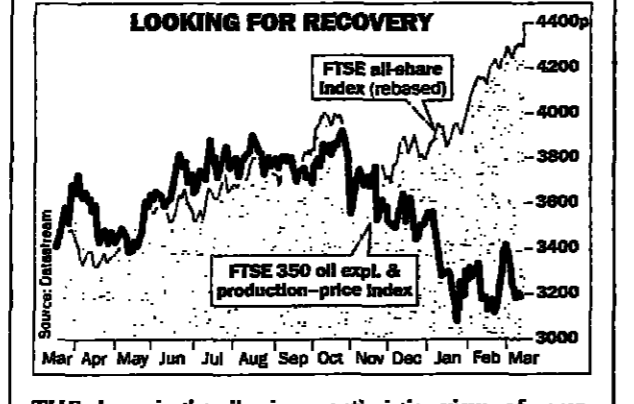
THERE was a cautious response from the stock market to Gordon Brown's Budget proposals. Dealers said that, although they may bring increased stability to Britain's economy in the longer term, they were unlikely to prevent another rise in interest rates in the short term.



Alan Shearer, striker for Newcastle United, which rallied after attempts to limit the damage from press reports

Bond prices fell by almost 1/2 and share prices closed below their best of the day. Having touched a new intra-day high of 5,833.9, the FTSE 100 index ended up +9.8 at a record close of 5,834.9. A total of 853 million shares changed hands.

Newcastle shirts. Reports claimed fans had been mocked for paying £40 for the shirts when they cost only £5 to make.



THE slump in the oil price from last year's level of almost \$25 a barrel continues to undermine the oil sector. Shares of the leading producers struggled to make headway in a rising market.

Newcastle shirts. Reports claimed fans had been mocked for paying £40 for the shirts when they cost only £5 to make. GEC shares rose 9 1/2 to 430p after a report in The Times that it was ready to bid for assets to be sold by Lockheed Martin Northrop Grumman as part of their proposed merger.

While the Chancellor was delivering his Budget speech, Clarendon Garments issued a profits warning. Its shares fell 3 1/2 to 51 1/2p after the group gave warning of 'significant losses' for the year and no final payout.

Table of international stock market indices including New York (midday), Tokyo, Hong Kong, Amsterdam, Sydney, Frankfurt, Singapore, Brussels, Paris, Zurich, and London.

Table of UK stock market indices including FTSE 100, FTSE 250, FTSE All-Share, FTSE Non Financials, FTSE Food Index, FTSE Govt Secs, and various sector indices.

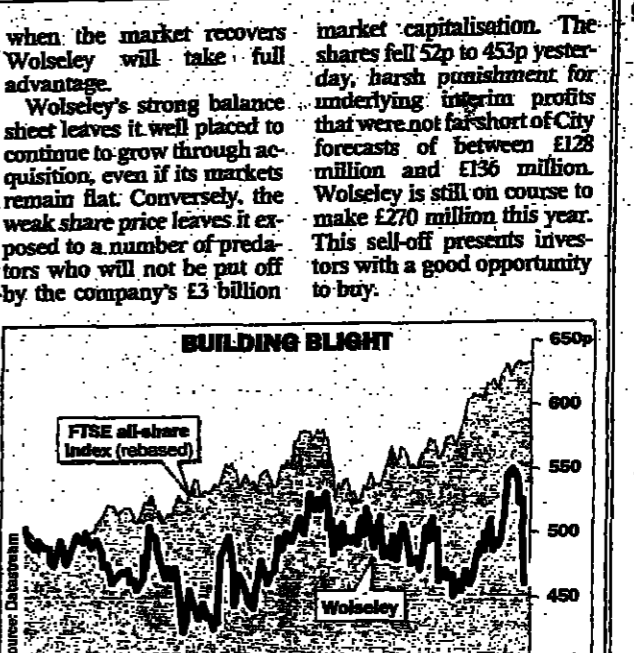
Table of FTSE 100 constituent stocks with columns for company name, price, and change.

Booker thinks again

WHEN in doubt, break up. The City's solution for (almost) every problem is now an option for Booker, the cash-and-carry operation with a long record of underperformance.

Creating a national distribution network modelled on the supermarkets must be the right move. But combining this with the integration of the Nurdin & Peacock branches acquired 15 months ago has not gone smoothly.

WOLSELEY WHETHER over one year or five, investors in Wolseley have fared poorly against the building sector and the rest of the market.



CHARTER CHARTER finally bought its third leg last year, adding Howden's industrial fans to its Esab welding equipment business and the niche players that make up its specialised engineering division.

DK is now making all the right noises but the company must be in a race against time to make the necessary changes before it attracts a bidder that would take a more brutal approach.

Table of commodity prices including LIFEE, COCOA, ROBUSTA COFFEE, WHITE SUGAR, and MEAT & LIVESTOCK COMMISSION.

Table of LONDON METAL EXCHANGE prices for various metals like Gold, Silver, and Platinum.

Table of LONDON GRAIN FUTURES prices for wheat, barley, and other grains.

Table of MONEY RATES for various currencies and interest rates.

Table of EUROPEAN MONEY DEPOSITS for various banks and currencies.

Table of GOLD/PRECIOUS METALS prices for gold, silver, and platinum.

Table of LIFE OPTIONS for various call and put options.

Table of STERLING SPOT AND FORWARD RATES for various currencies and time periods.

Table of EUROPEAN MONEY DEPOSITS (continued) for various banks and currencies.

Table of GOLD/PRECIOUS METALS prices (continued) for various metals.

Table of various financial data and company information.





Gordon Brown is expanding Labour's New Deal for young people, the long-term unemployed, lone parents and the disabled, and plans to spend more money on schools

# We have set a course for new ambitions and a new Britain

Today millions of people in Britain have new ambitions. New ambitions to work, and to start businesses. New ambitions for their families, and for their children. New ambitions to make a new Britain.

My Budget yesterday was first and foremost a new Labour Budget. It will set the course for the ambitions of the people of Britain — and the ambitions of this new Labour Government. What I want to do today is set out why, with Tony Blair, I am taking this path. Why we are setting in place policies for the long term. But why too that prudent management of our finances will allow us to spend money on Britain's priorities — education and health — after 18 years of decay and drift.

Labour has always been a party of ambition. Of encouraging people to get on. Too often in the past Labour became wrongly associated with thwarting ambition, with preventing achievement. With our election last year, that stopped. Yesterday's Budget shows how we will stop it.

My Budget rests on an analysis of the UK economy — an analysis which rejects both crude old laissez faire economics and the crude old over-regulation or state control.

As we approach the millennium, we know that Britain is facing major economic challenges. Globalisation is the dominant factor in the world economy. Global competition is sharp, and fast-

moving. The rapid modern communications of the new information revolution presses the need for new and different skills.

At the same time, the economy we inherited from the Conservatives had fundamental, structural weaknesses. Inflation was rising. The public finances were in a mess. Far too many people were unemployed — one in five working-age households have no one in work, with the proportion much higher in some parts of the country.

giving the Bank of England operational independence, I put a new monetary framework in place — an open, transparent and long-term approach that offers the best chance of Britain meeting its inflation target.

I took a similar step this week on the fiscal side, when I published our new Code for Fiscal Stability to ensure that fiscal policy is also open, transparent and accountable. We'll legislate on the code, so it won't be just for this Government

voices: we will avoid repeating the mistakes of the past, and we will hold to our spending plans.

Just as our ambition of securing economic stability for the long term already rests on achievement of greater monetary and now fiscal policy stability, so too does our intention of making work pay — a central theme of my Budget yesterday. We have already started to implement the New Deal Welfare to Work programme — the biggest programme of its kind ever con-

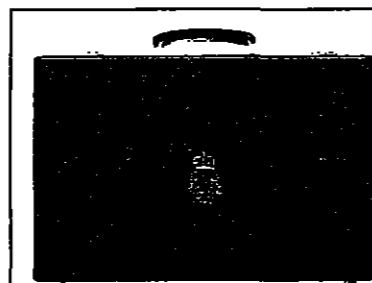
benefit for ever. But as well as a Budget for fairness, this is a Budget for enterprise. My reforms to the national insurance system amount to the most radical changes for a generation, removing barriers to work, and easing the regulatory burden on business. The further cut in corporation tax takes it to its lowest-ever rate — with special help for small firms. Reforms of capital gains tax will reward risk-taking and encourage longer-term investment.

R&D will be helped through the new University Challenge Fund. Scrapping advance corporation tax will encourage international companies to base themselves here.

I'm being prudent. But my prudence has a purpose. That means more money for health. More money for schools. More money for public transport including special help for the countryside. And helping the worst off.

This is an ambitious programme. But an achievable one. It will set new ambitions for a new Britain. It will help to create a fairer society in our country. It will be good for business. It is an important step forward. It is the right step forward. Step by step, we're making Britain better — as we said we would do.

Today people in Britain can see that yesterday's Budget was a significant step in turning their ambitions — for themselves, their families and their country — into reality.



Gordon Brown, the Chancellor, outlines the thinking behind a Budget designed to help the needy but not thwart the enterprising

on some of our worst estates. Investment is too low. So are our educational standards, especially at primary and secondary level. Our research and development base lags behind.

To counter these challenges, and to tackle these difficulties, I want to take action for the long term. No quick fixes. No snap solutions. But real improvement.

From my first day in the Treasury, we've made a start towards that objective. By immediately

— but for all governments in future.

In my Budget, I have taken that approach further. We will deliver policies for low inflation and low government borrowing. Public borrowing is coming down, more rapidly than we had expected — down from £19 billion planned by the Tories for this year to £5 billion now under new Labour. Our deficit reduction plan remains firmly on course. But our prudent approach means that we won't listen to siren

calls in Britain. Initial results from the New Deal Pathfinder projects are very encouraging. Yesterday I was able to go further — expanding the New Deal for young people, for the long-term unemployed, for their partners, for lone parents, for the disabled, for some of our most deprived communities.

This amounts to a big move away from the dependency culture. Under the New Deal, there will be no option of people remaining on

## Arts complex

LORD HAMLYN, the millionaire philanthropist, has raised almost £29 million by selling some of his Reed international shares ahead of his boardroom departure. Hamlyn in 1987 sold his Octopus publishing business to Reed in return for the state and is still the biggest single investor with more than 4 per cent. "I think to have £300 million in any one thing is rather a lot," he says. "I'm retiring from the board this year. I waited until the results were announced and sold."

I ask, rather mischievously, whether Hamlyn really needs the money, given his outgoing will be £17 million less now the Arts Council has rejected his planned redesign and refurbishment of the South Bank arts complex in London. Hamlyn was pledged to provide the money, and the centre would have been renamed after him. He says sternly that the two events are not connected. "I'm sure I shall be involved in the South Bank one way or another. Once a few heads have been knocked together, something will come of it." Best of luck, say I, in doing something about that concrete monstrosity. That is true philanthropy.



every boy's dream to grow up and become mayor of his home town. Any political ambitions would probably require Bloomberg to float his company on the stock market and spread ownership around a bit, but that is another story.

My source asked the man himself about the rumours, at a reception where he was giving a speech. Bloomberg refused to comment, but finally, on being pushed harder, said: "Look, I'm not going to run for Tony Blair's job, so you've got nothing to worry about."

### Slim chance

THE next product is due from the Amstrad stable, which brought you the cheap computer and the affordable CD player. Prepare for a great deal of nonsense about the Integra Bodyskate. Amstrad already makes a machine that claims to give non-surgical face lifts, and this is a body massager which, it seems, also cures sports and muscle injuries and banishes cellulite. Kills rats, and tastes good on toast, as the old joke goes.

Or so Sugar will no doubt be telling us. I am not sufficiently brave to put the question in person, but someone might ask him if he thinks he is really the best salesman for a range of beauty and slimming products.

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### Apple cheek

THERE is increasing speculation in New York that Michael Bloomberg, creator of the financial information empire, may decide to cap his career by running for Mayor of New York. Bloomberg, not a man unsure of his talents or shy about pushing them forward, has added to the rumour by teasing remarks about how it is

NICE to see that some fine old Budget traditions can survive under new Labour. Old City hands will recall how Paterson Zochonis, an obscure maker of soap bars, would insist on announcing annual figures on Budget day: no one could ever work out why. The shift to a November Budget, alas, frustrated this. Back to March again, and the tradition has been swiftly revived. Long may it run.



"And everyone lived happily ever after apart from those in children's publishing"

### Dry run

A PERSONAL invitation arrives to the pre-season launch party for the London Broncos, the rugby league team that is owned by Virgin and shares accommodation with Harlequins at the Stoop Memorial in Twickenham. Come to "Roll Out Summer", dress smart casual, at The Stoop Memorial next week and meet the 1998 Playing Squad. The Broncos are sponsored by Foster's. Blame the lager company or a certain stinginess, because there is a cash bar only.

MARTIN WALLER

## John Magill talks about the Westminster council inquiry

When allegations about selling homes in Westminster at knockdown prices to likely Tory voters were made on the BBC's Panorama programme nine years ago, no one was more incredulous than John Magill, the Deloitte & Touche partner responsible for auditing the books of Westminster City Council.

As district auditor, Mr Magill had worked with the key players for years, and thought he knew them well. His trust evaporated in the months that followed, as he struggled to penetrate a smokescreen of deceit, fanned by the overbearing presence of Dame Shirley Porter, the disgraced former council leader.

Dame Shirley and her former deputy, David Weeks, were later deemed guilty of wilful misconduct and "disgraceful and improper gerrymandering" in attempting to "buy" Tory votes between 1987 and 1989. The findings were upheld in December by the High Court, which branded the pair "liars" and ordered them to pay a £27 million surcharge. Charges against other defendants were dropped. Dame Shirley and Mr Weeks are seeking to challenge the ruling in the Court of Appeal.

The "homes for votes" policy was drawn up after the Conservatives' poor showing in the 1986 local elections, in which their majority fell from 26 to four. To improve Tory chances in 1990, empty flats in eight marginal wards were designated for sale at a discount to young professionals. The court found that Dame Shirley and Mr Weeks played

# The 'homes for votes' scandal that left a legacy of distrust

"inextricably intertwined" roles in pursuing the policy.

It was the summer of 1989 when homes-for-votes surfaced on Panorama. Mr Magill, speaking publicly now about the inquiry for the first time, admits to initial disbelief: "I had worked with all these people as their auditor for some years. I found it very difficult to start from the position that these people — when they denied it — were not actually telling me the truth. It was really quite late on in the inquiry before I became persuaded that some of these people were lying to me."

Mr Magill obtained documents from the BBC, including testimony from Patricia Kirwan, former chairman of the Westminster housing committee and a critic of Dame Shirley. It took Westminster council ten months to respond. Mr Magill held a series of interviews, testing the validity of what the council was saying. It was then that the cracks began to appear. He recalls: "It was only as I got to the end of that first round of interviews that I recognised that there were inconsistencies in the story. As I explored the inconsistencies, I got more and more questions in my mind about whether what I'd been told earlier was true."

A year into the investiga-



Dame Shirley Porter was deemed guilty of wilful misconduct

tion, Mr Magill effectively had to start again. Interviewees made reference to papers and files that "couldn't be found" or "did not exist". It emerged that documents had been shredded. Mr Magill said: "It was at that stage that my solicitor and I decided we would visit the council unannounced."

The "raid" yielded a wealth of incriminating evidence. Mr Magill found that documents relating to housing issues were routinely copied to the heads of other departments. "Missing" papers turned up in leisure and other sections. The search led to "muniments", the vast filing area under Victoria

Street that houses records. The departed head of the policy unit left his papers in a green filing cabinet, but it was nowhere to be found. Descending to muniments, Mr Magill thought he had hit the jackpot. "I opened this huge metal door, and right in front of me was this battered old green filing cabinet, and I thought, this is my lucky day. I was almost trembling as I went up to open it." His elation proved short-lived. "There was nothing in it. It was the wrong one. We searched high and low, and never found any of his papers."

Things became easier once Mr Magill and his team learnt

to interpret Westminster council-speak. The housing programme, "building stable communities", could quite properly be described as an attempt to attract affluent residents. But as Mr Magill explains: "It all sounds fine, until Patricia Kirwan says, 'I remember Shirley Porter saying if you ever hear the words "building stable communities", that means we want to win that ward.'"

Mr Magill devoted 1,000 hours or more annually for three or four years to the assignment. "Frankly, it was never out of my mind. I went to bed thinking about it. I woke up in the middle of the night thinking about it. I woke up in the morning thinking about it." His wife recently asked him whether he would be "coming back to the family" after eight years.

Mr Magill's provisional report, published in January 1994, contained damaging allegations — and was seized on by the defendants. The High Court criticised, as ill-conceived, a press conference at which Mr Magill outlined his findings. He says the intention was to give Dame Shirley and others an opportunity to make submissions.

The High Court criticised the £3 million cost of the inquiry. Mr Magill put much

of the hostile reception down to politics, but was stung by one headline. "This man killed my best friend". Michael Dutt, vice-chairman of the housing committee, shot himself after the provisional findings were made public.

Mr Magill says: "The whole thing has been very difficult. I was fully aware, all the time, of the consequences. The idea that the decision of mine could make any individual bankrupt... was in my mind. That's why I was only prepared to say things if I was absolutely certain I was right."

Westminster council is now armed with a High Court certificate, allowing it to pursue the recovery of the £27 million surcharge. Discounts on flats sold to yuppies made up about half the sum. The rest involved the cost of putting homeless people in bed and breakfasts, rather than council property, along with the costs of running the scheme.

The appeals may roll on, but Mr Magill's work is largely complete. He has become partner in charge of forensic services at Deloitte & Touche, where assignments include tracing millions of dollars siphoned from the Bank of Credit and Commerce International.

As for Dame Shirley, the Westminster affair may prove more embarrassing than financially damaging. She has sold up, resigned her directorships and shifted her estimated £70 million fortune offshore. She divides her time between properties in Tel Aviv and Palm Springs, California.

JON ASHWORTH

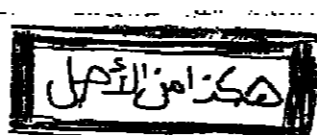
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# Prestbury buys £103m property portfolio

By Carl Mortished

PRESTBURY, the property company run by Nick Leslau, is buying a £103 million property portfolio from MEPC and issuing £11 million worth of shares to the vendor.

The share issue will bring Mr Leslau, the former chief executive of Burford, closer to MEPC, a company that was involved in takeover talks with Burford last year. The brief filtration, initiated by Burford, failed to engender a deal, but, according to Mr Leslau, there was a meeting of minds, and MEPC, which is run by James Tuckey, will end up with 8 per cent of Prestbury after the

property deal. Mr Leslau said that MEPC wanted the share stake as a condition of the sale.

He said: "We like the MEPC people. They are very straight, which is rare in this business. There is a good new feeling about MEPC. We said we were interested in these properties. They said, 'OK, if you let us have some paper'."

Prestbury is raising £48.8 million net in new equity, of which £37.8 million is to be funded via a one-for-two share placing at 4p per share with the balance of the shares issued to MEPC.

The portfolio, which produces a 10 per cent yield and has been valued at £106 million, forms part of the PSIT portfolio, which was purchased by MEPC last year.

The properties sold to Prestbury consist of 30 buildings and plots of vacant land. Prestbury intends to retain about 70 per cent of the assets, including five industrial estates and a new retail warehouse scheme at Surrey Quays in London's Docklands. The 105,000 sq ft retail scheme is vacant, but Mr Leslau said that he believed that a new management would be able to let the space, which is next to a shopping centre and a planned Jubilee Line Underground station.

Mr Leslau said that the industrial component of the deal was opportunistic rather than part of a strategy. He said: "The day you hear me say we are light in East Midlands industrial is the day you should sell the shares."

The deal with MEPC will leave Prestbury, which was admitted to the AIM three months ago, with gross assets of about £160 million. Prestbury yesterday repaid a pre-tax loss of £831,000 for the ten months to December. These include a £143,000 profit for one month's trading as a property company and a net £1 million loss from DCI, the sports and leisure business, which has been sold. After the MEPC acquisition, net assets will be £79 million, including £12 million of cash.

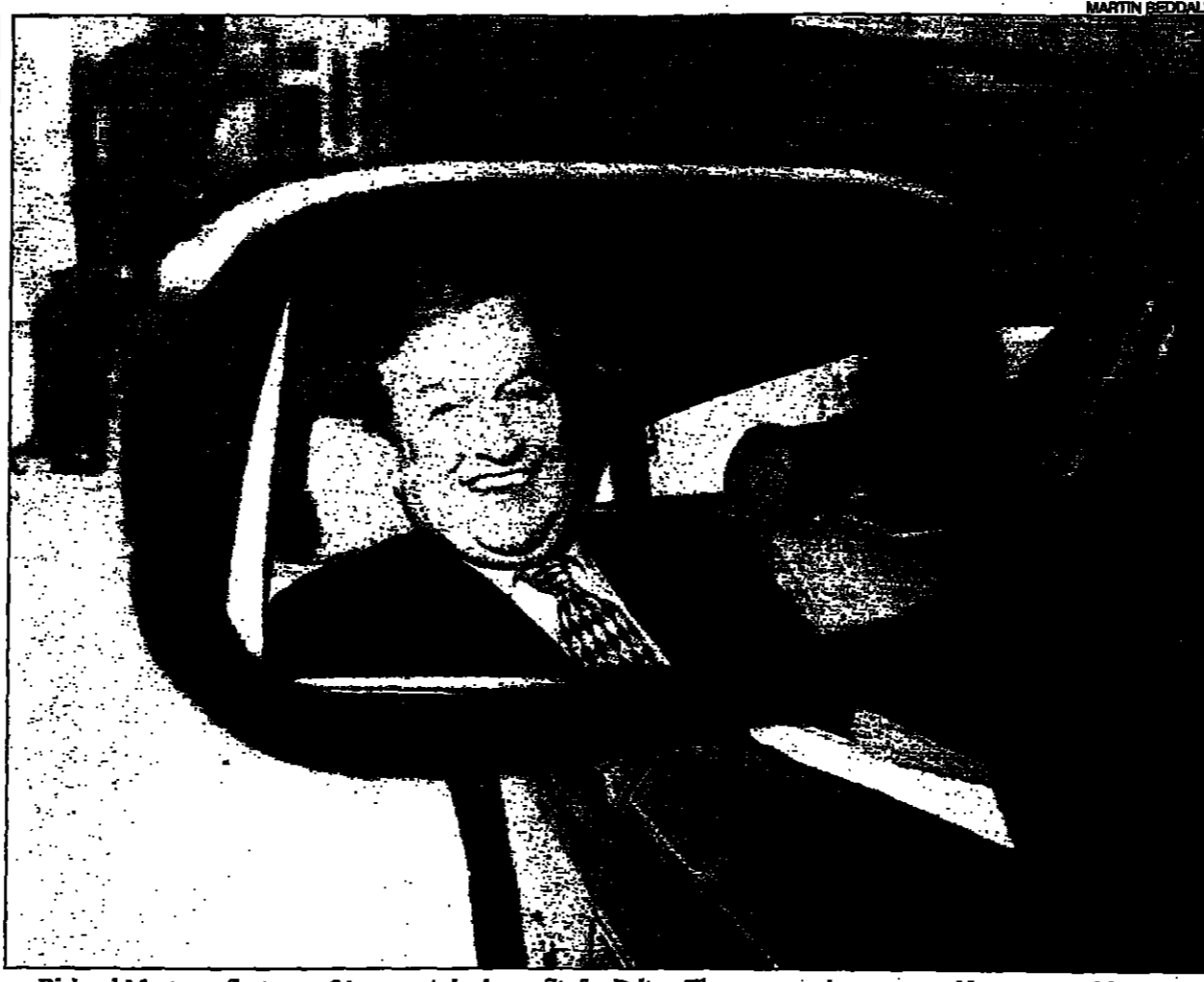
## Warning as Lloyd's hits record

By Jon Ashworth

THE Lloyd's insurance market yesterday unveiled record preliminary profits for the 1995 underwriting year — but gave warning that conditions since then have deteriorated sharply.

Including a net release from reserves, the 1995 profit reached £1.156 billion, up from £1.095 billion in 1994. Stripping out tax and members' personal expenses leaves a "pure year" profit of £1.007 billion (£1.013 billion). The figures are culled from a review of syndicate returns, and the final official result is not due until May.

Lloyd's reports three years in arrears. Max Taylor, Lloyd's chairman, gave warning that tough competition was taking its toll of profits. Rates are under extreme pressure. He said: "Since 1995 conditions have deteriorated considerably. While we can see profits for the 1996 and 1997 years, rating conditions have continued to decline." He expected 1998 to be a very difficult year.



Richard Marton reflects on a 24 per cent rise in profits for Britax. The company is encouraged by progress this year.

## Charter plays down effects of Asian crisis

By Paul Durman

CHARTER, the engineering group whose shares fell heavily at the end of last year because of the Asian economic crisis, yesterday said that its welding equipment and rail fastening businesses have never been stronger.

Playing down the company's Asian exposure, Jeff Herbert, chairman, said that Charter's sales into Asia represented only 9 per cent of group turnover, and more than a third of that was with the "largely unaffected" economies of China and India.

Charter said that its underlying operating profits had risen 40 per cent to £110.4 million, reflecting eight months of contribution from Howden, the industrial fans group bought for £380 million last April.

It said pre-tax profits would have risen 14 per cent, to £94.1 million, but for the strength of sterling and the £30 million it is spending closing seven or eight of Howden's plants. Underlying earnings rose 6 per cent to £62.8p. Esab, the welding business that is the biggest contributor to Charter's profits, increased its margins and underlying sales, but currency obscured "another excellent year".

In July, Mr Herbert will give up his dual role as chief executive to Nigel Smith, chief operating officer.

A final dividend of 22p increases the total by 6.8 per cent to 31.5p a share. Charges have left Charter with a retained loss for the second year running, this time of £1.6 million. The shares rose 11½p to 67½p.

Tempus, page 32

## Britax stays confident as profit rises 24%

By George Sivell

BRITAX, the engineering group, raised pre-tax profits by 24 per cent, to £45.4 million, on sales of continuing businesses up 3 per cent, to £482 million.

Earnings per share rose 22 per cent, to 8.89p, out of which the total dividend for the year rises 10.8 per cent, to 3.9p, after payment of a final dividend up from 2.75p to 3.05p.

Gearing rose to 56 per cent after the sale of the car dealerships and the acquisition of Buderus Sell, the aircraft interior equipment manufacturer. Britax remains confident on the civil aircraft industry, despite the Far East economic crisis, and believes that more aircraft will be built in 1998 than in 1997, a process the company expects to persist until at least the year 2000.

Britax, whose chief executive is Richard Marton, reckons that the strength of the pound knocked £3.9 million off operating profits and £33.6 million off sales. On the current year, Britax says: "If the strength of sterling continues at current levels this will have some, but not a major, effect on the translation of overseas earnings. However, we are again encouraged with the progress that the group has made in the first two months of the year, with trading ahead of the corresponding period of last year."

## Trust axes its final dividend

TRUST MOTOR GROUP, the car dealership formerly named Barr & Wallace Arnold, has axed its final dividend in the expectation that it will be taken over within six months (Fraser Nelson writes).

The company, which renamed itself after selling its leisure division for £41.8 million last summer, said that it is still in talks with companies

that may better the offer made by Nicholas Barr's management buyout team.

Mr Barr, chief executive, owns 6.9 per cent of the shares — which allowed him to pocket £1.2 million from the special dividend declared after the leisure disposal.

He is understood to be offering around £24 million for the entire company, now capitalised at £31 million. If no deal is reached, the company will pay a compensatory 5p final dividend.

## Jourdan to sell trouser press business

By Jason Nisse

THOMAS JOURDAN, the mini-conglomerate in which the management was ousted by David Abell last year, is to sell its Corby trouser press business.

Leading the list of likely buyers is Morphy Richards, the electrical goods group that is Corby's main competitor. The sale comes at a time when Corby is enjoying strong growth abroad and is attempting to expand in the UK.

The move is an attempt by Mr Abell — whose career has ranged from British Leyland to Suter, the chemical and engineering group — to refocus the group, bolting on building products and engineering businesses. He is also shortening the company's name to just Jourdan.

Mr Abell ousted the previous management at an acrimonious extraordinary shareholder meeting. The one senior director who stayed — Peter Collins, the finance director — yesterday said that he was to leave the group to join Warner Estates, the property company, and Jourdan is seeking a replacement.

Since Mr Abell has taken control, the group has raised £5 million from a rights issue and eliminated its debt. The market value has risen from £3 million when he first became involved in the group to more than £17 million.

A strong performance from both Corby and Suncrest, the fireplace surrounds maker, has helped the group to return to profit in the six months to December 31.

The company reported a pre-tax profit of £1.07 million for the half year to December 31, compared with losses of £1.2 million in the six months to June 30.

Earnings were 3.6p a share, adjusted for December's rights issue, compared with losses of 6.1p. The interim dividend is 0.5p a share (nil).

## Courtaulds shutting polymers operation

COURTAULDS, the chemicals group, is closing its Water Soluble Polymers business with the loss of 70 jobs at Spondon, Derby. The closure follows the disposal of certain assets of the business, including sales, intellectual property and product information, to The Dow Chemical Company. Courtaulds said that the sale price and the cost of the closure were not material to the group and formed part of a 200-strong job reduction, announced in February when Courtaulds announced the proposed demerger of Courtaulds Coatings & Sealants and the sale of Polymer Products.

Courtaulds said that its water soluble polymers business was the smallest in Europe and considerable investment would be required for it to compete and increase market share. Water Soluble Polymers sells its products to the food, pharmaceutical and cosmetics industries. Its main brand is Celacol, which was originally manufactured by British Celanese but was acquired by Courtaulds in 1959.

## Manx allowances rise

THE Isle of Man Budget delivered an increase in personal allowances and thresholds, projected a budgetary surplus, raised spending and transferred £23.3 million to reserves. Residents' income tax standard rate stays at 15 per cent, with the higher rate at 20 per cent. The higher rate threshold was lifted £230 to £9,500 for a single person and £460 to £19,000 for a married couple. Single person's allowance was raised from £6,800 to £7,070 and a married couple's combined allowance from £13,600 to £14,140.

## Match to CRT

CRE, the fast-growing computer services recruitment company, yesterday completed its second acquisition in ten days after agreeing to pay £5.1 million in cash for Match Employment. Match is a headhunter, which will now work for Link Recruitment Services and Squires. CRT's existing recruitment divisions, Match last returned profits of £900,000 on sales of £5.3 million. CRT still has £22 million for more acquisitions. Its shares rose 2p to 46p.

## ARM valued at £175m

ARM HOLDINGS, a computer microprocessor company that was spun out of Acorn Group, is set to be valued at up to £175 million when it floats in London and New York this summer. Acorn yesterday said that it stands to gain £9.24 million from selling part of its 33 per cent stake, and will retain a paper holding worth up to £48.5 million. ARM licenses RISC microprocessors and recently struck a supply deal with Intel, the world's largest microchip manufacturer.

## Aggregates acquires

AGGREGATES INDUSTRIES, the quarry and aggregates group, has acquired Douglas Concrete Holdings, which owns and operates ten ready-mixed concrete plants in the Midlands, for £18 million. In addition, Douglas has paid a final dividend of £4 million to existing shareholders. Douglas controls approximately 14 million tonnes of sand and gravel reserves. Aggregates Industries said that the acquisition would strengthen its position in the UK ready-mixed market.

## AEA buys DSB

AEA TECHNOLOGY, the science and engineering company, has acquired DSB Special Batteries, of Crawley, West Sussex, for £4 million. DSB supplies battery systems to the utility, defence, medical and aerospace industries. Clients include British Aerospace, Smith & Nephew, BA and the Ministry of Defence. In the year to September 30, the company earned profits of £488,000 before interest and tax on sales of £6.8 million. Net assets were £1.2 million at the last year-end.

## Pound hurts Servomex

PROFITS of Servomex, the industrial instrumentation group that exports almost 80 per cent of turnover, fell to £2.95 million before tax in 1997, from £3.5 million in 1996. The company blamed the 17 per cent shortfall on the strength of the pound and said that profits would have risen to about £4 million at constant exchange rates. Earnings per share fell to 20.3p, from 21.5p. A final dividend of 6.65p a share lifts the total to 9.5p a share, from 8.5p. The shares rose 22p to 268p.

## Swire Pacific

"Although 1998 will be a difficult year, the Group is in good financial condition and is well placed for the future."

P D A Sutch  
Chairman, Swire Pacific Limited  
Hong Kong, 13th March 1998

### HIGHLIGHTS

	1997	1996	Change
Profit attributable to shareholders	US\$856M	US\$981.4	-13%
Investment property portfolio	US\$10,534M	US\$11,595M	-9%
Net assets per share	US\$7.56	US\$8.15	-7%
Earnings per share	US\$54.4	US\$61.9	-12%
Dividends per share	US\$22.7	US\$22.7	-

Notes:

- Amounts per share refer to 'A' shares. Entitlements of 'B' shareholders are in proportion 1 to 5 compared with those of 'A' shareholders.
- All the above figures have been translated from Hong Kong dollars into United States dollars at an exchange rate of US\$1 = HK\$7.80.
- Dividends are declared in Hong Kong dollars.

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# Difficult trading conditions in US hit Wolseley

By MARTIN BARROW

SHARES in Wolseley fell almost 10 per cent yesterday after the international building materials company reported flat interim profits and warned investors of difficult trading conditions in America, which accounts for almost half of group sales.

The shares fell 48p to 457p yesterday after the company reported that trading profits were little changed at £124.8 million in the six months to the end of January, compared with £124.3 million previously.

Adverse currency movements reduced trading profits by £5.3 million, the company said. Reported sales of £2.33 billion, up from £2.28 billion, would have been £91.5 million

higher at constant exchange rates. The company said profits were also hit by a decline in timber prices and an increase in costs in the US, where wage inflation had an adverse impact on margins.

Steve Webster, group finance director, said: "Nobody in America can recall another time when you have zero price inflation, or even deflation in some markets, when the economy is growing and wages are rising at 4 per cent."

Wolseley said market conditions in America remained generally good in the first half but the rate of sales growth slowed. The decline in trading margins in the US was due to falling prices in plumbing

supplies and timber as well as wage inflation. Despite the competitive trading conditions sales rose 8.4 per cent in constant currency terms and trading profits by 2.8 per cent.

In Europe sales edged lower to £818.4 million from £825.2 million masking good performances in Britain and France. In Britain Wolseley's Plumb Center and Builder Center gained market share and improved trading margins. Buoyant trading conditions in the South East settled down to a sustainable level, the company said, while other regions showed improvement.

Overall, pre-tax profits rose to £134.6 million from £124.3 million, helped by a £9.8 million gain from disposals. Earnings were unchanged at 14.63p a share, excluding the exceptional gain. The interim dividend is increased to 3.5p a share from 3.3p.

Cash proceeds of £54.6 million from the sale of Hunterstid Howard and Ashley & Rock helped reduce borrowings to £38.1 million from £65.8 million six months earlier, giving gearing of 4.1 per cent.



Peter Kindersley, who yesterday announced a 40 per cent drop in interim profits

## DK to shed 180 in cost-cutting programme

By RAYMOND SNOODEY  
MEDIA EDITOR

DORLING KINDERSLEY, the reference book and CD-Rom publisher, is planning to move freelance editing work out of the UK.

The actual publishing will remain in London but a significant slice of the production work on CD-Rom will move to countries such as India and travel books to the country described.

The move is part of a cost-cutting programme that will see the group's headcount shrink by 180 to 1,400 by June.

"DK is positioning itself to prosper even in challenging times," said Peter Kindersley, chairman and chief executive, who has had to cope with disappointing multimedia markets and the strength of sterling although previous problems in the US book market have lessened.

DK announced pre-tax profits of £4.1 million for the six months to December 31, a 40.2 per cent drop on the same period last year. Analysts are looking for £9 million pre-tax profit for the full year. Earnings per share dropped by 40.7 per cent from 5.9p to 3.5p and the dividend remains unchanged at 1.5p.

The figures brought a 4 per cent drop in the group's share price and increased speculation that a rival may be ready to make a bid for the firm.

## Zochonis profits grow in spite of sterling

Peterson Zochonis, the maker of Imperial Leather soap, overcame the effects of the strong pound and the Asian economic crisis to post a 6 per cent increase in pre-tax profits to £14.8 million in the six months to November 30. Earnings increased to 21.68p from 19.25p. The interim dividend is increased to 5.85p a share from 5.5p.

The company said sterling's strength had reduced turnover by £17.3 million and profits by £1.2 million during the period since May last year.

## Telspec rises

Shares of Telspec hit a new high yesterday even though the telecoms equipment maker turned in lower-than-expected profits. Shares, which joined the market at 160p four years ago, added 30p to 335p in early trading as it returned pre-tax profits of £4 million (£9.9 million loss), and declared a dividend of 0.1p per share.

## Reuters buy

Reuters, the news and information group, has bought Citywatch, which specialises in the monitoring and measurement of UK equity ownership, for an undisclosed sum. Citywatch's main attraction is believed to be its fund manager database which contains details of the shareholdings in of the UK's top 2,300 quoted companies.

## SIG feels effect of strong pound

By CHRISTINE BUCKLEY, INDUSTRIAL CORRESPONDENT

THE STRONG pound and price slides in UK markets forced down underlying profits of SIG, the largest distributor of insulations materials in Europe, in 1997.

However, the group yesterday said that prices had stabilised and that it expected "a more positive environment" this year. SIG's pre-tax profits for the year to the December 31 before losses on the sale of discontinued businesses fell by 2.1 per cent to £34.3 million.

SIG suffered a £2.4 million hit from the strength of sterling and paid out £1 million in redundancy costs associated with businesses that it bought last year. Figures for last year included the first full-year contribution from the German

operations that SIG bought in 1996, although the group said that its businesses there had taken longer than expected to reorganise.

Overall, the company said, it was poised to benefit from the substantial restructuring implemented in 1997. SIG last year sold its hardware business and reinvested the £65 million proceeds in buying a variety of new operations. The company said that its overhaul, combined with its action in Germany, had depressed the results for 1997 but provided the "basis for the future enhancement of the group's performance".

The final dividend, payable on May 15, is set at 5.2p, making a total of 7.3p, up by 8.3 per cent on the previous year.

## CSFB sets aside extra \$150m

By RICHARD MILES, BANKING CORRESPONDENT

CREDIT Suisse First Boston, the investment bank that bought BZW in November, has made a \$150 million (£94 million) provision against possible losses on loans to South-East Asia.

Accounts published yesterday by the company reveal exceptional items of \$296 million, including its previously announced \$165 million charge for the restructuring of its BZW acquisition. Other exceptional items con-

sisted of a \$102 million technology charge to upgrade CSFB's systems for the millennium and for the European single currency, and a handful of writedowns against property.

Before the exceptional items, pre-tax income jumped 29 per cent to \$1.83 billion in 1997, reflecting a similar rise in revenues to \$7.13 billion. Personnel costs are running at 49 per cent of total revenues.

Stephen Hester, chief financial officer, said that on reflection

£100 million was a fair price to pay for the corporate advisory, equities and capital markets businesses of BZW, the former investment banking arm of Barclays.

"People underestimate the amount of work that has to be done; what I call sweat equity," said Mr Hester. He said integration of the BZW business would be formally completed on May 1, but CSFB would spend the next two years fine-tuning the operation.

## Royal Doulton jobs to go

By KATHY LIPARI

ROYAL DOULTON, the fine china manufacturer, yesterday disclosed that at least a further 200 jobs will be cut because the strong pound is still hurting the company.

The group has decided to close its St Mary's and Paladin manufacturing sites. It axed 330 jobs in August last year. Patrick Wenger, chief executive, said that 1997 had been difficult because of the currency and weakness in Far Eastern and Asian Pacific markets.

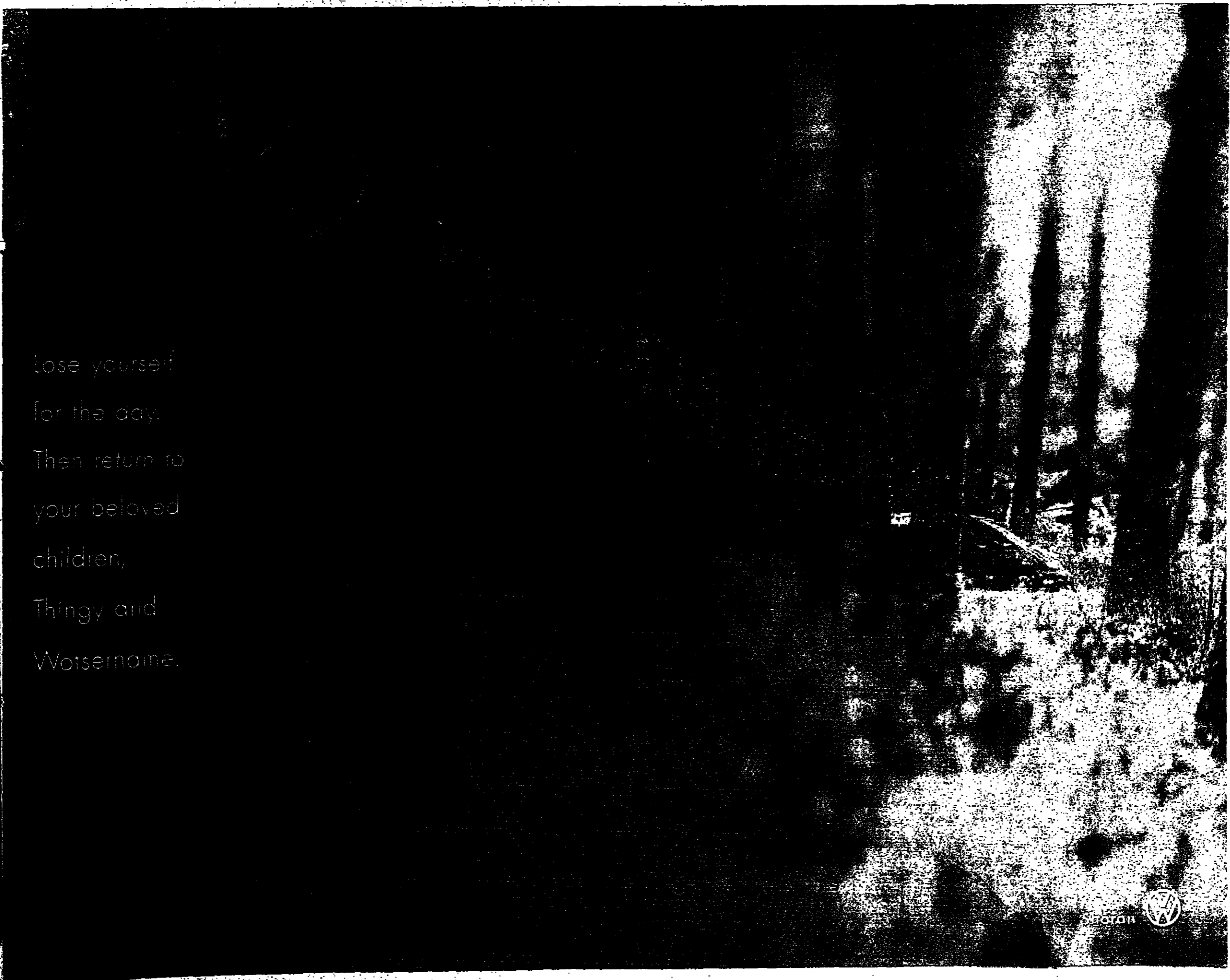
Royal Doulton reported a pre-tax profit of £6.2 million for 1997, down from £17.6 million in 1996, after higher than expected exceptional costs of £11.6 million, covering the writing off of underperforming lines of stock, restructuring and an aborted acquisition attempt.

On an operating level, the results were much as expected, at £17.8 million, up from £17.6 million in 1996. Analysts were surprised by

the exceptional charges, but believed that Mr Wenger appeared to be making sensible strategic decisions.

Royal Doulton also announced that Mark Burrell, chairman, had decided to retire and would step down once a successor is found.

Sales in 1997 rose to £252.2 million, from £251.8 million. Earnings per share before exceptional fell slightly to 21.3p (21.7p). A 7.7p final dividend makes 10p, up from 9.65p.



lose yourself for the day. Then return to your beloved children. Thingy and Woisemone.



Equities firm at the close

TRADING PERIOD: Settlement takes place five business days after the day of trade. Changes are calculated on the previous day's close, but adjustments are made when a stock is ex-dividend. Changes, yields and price/earnings ratios are based on middle prices.

Main table containing equity prices for various sectors including ALCOHOLIC BEVERAGES, BANKS, BREWERIES, PUBLS & REST, BUILDING MATERIALS, CHEMICALS, CONSTRUCTION, DISTRIBUTORS, ELECTRICITY, ELECTRONIC & ELECT, ENGINEERING, FOOD MANUFACTURERS, HEALTHCARE, HOUSEHOLD GOODS & TEXT, INVESTMENT TRUSTS, MEDIA, MINING, OIL & GAS, PHARMACEUTICALS, PRINTING & PAPER, PROPERTY, RETAILERS GENERAL, RETAILERS FOOD, SUPPORT SERVICES, TELECOMMUNICATIONS, TRANSPORT, WATER, and other financials. Each entry includes stock name, price, and percentage change.

Advertisement for theplanet.net, featuring the text 'Are you selling on the Internet yet? Let us help you.' and contact information: 'COMPAG Planet Microsoft', 'Freephone: 0500 550 650', and 'Internet and Data Storage Solutions for Business'.

Portugal renewal

Handwritten signature and scribbles at the bottom right of the page.

هكسان الفحل

**D**o you fancy tugging with a sales director dressed as an alien from outer space? Or perhaps you would prefer playing in a samba band, along with 600 of your colleagues. Welcome to the crazy world of the sales conference, where live communication is the key to success. Nowadays, the company aiming to effectively inspire its salesforce has to do a lot more than put the audience in a darkened room, turn on the slide projector and release the company bore on them. In industry hype, there has to be a bit of 'magic'.

An increasing number of companies are using the latest techniques to cast a spell on conference audiences. Light shows, interactive games, "harmonisation routines" and "audiencology" are just some of the buzz-words which describe the methods companies employ to ensure delegates memories of happy hours spent on the go-kart track.

Having been relegated to the bottom

## Conference 'magic' back in fashion

of the list of priorities during the recession, conferences are back in fashion. A healthy economy has played a part, but there is also more need for them. The staff cuts made during the 1990s have left fewer people doing the same volume of work. Manpower has, in part, been replaced by motivation. If a chief executive is convinced that a day spent hot-air ballooning is a more effective way of motivating the troops than a lot of hot air from him or her, then anything goes. Or does it?

Having tightened their belts during the recession, many companies are unwilling to spend money on conferences unless convinced that fun and games can deliver the business message. "I think companies are much more serious about how they run events these

days," says Sara White, editor of *Conference & Incentive Travel* magazine. "They're looking at conferences more strategically... rather than just doing them for the hell of it."

In an age of multimedia communications and a lower attention-threshold, delegates expect the message to come packaged as entertainment.

Drug companies use conferences as a way of communicating new drug launches to their salesforces, health professionals and marketing teams. Richard Sharp, marketing director of Catalyst Event Management, a company specialising in live communications, says: "The trick is to strike a balance between the business and entertainment elements. We try not

to split them apart, but constantly shift between the two. It's an effective way of keeping delegates on their toes."

Reckitt & Colman's UK household division recently held a conference for its sales and marketing staff in order to encourage them to generate their own ideas. Rather than follow the traditional format of a speech succeeded by questions and answers, Reckitt went, well, intergalactic. It transformed an hotel in Leeds into something resembling the starship *Enterprise of Star Trek* fame. The speakers sat on the bridge, while the audience sat in the bowels of the ship under a canopy of stars. Senior staff dressed as aliens beamed up on screens and were interro-

gated by staff keen to know details of the company's future strategy. Correct answers prompted a fusillade of rockets and rooms lit up with red alert signs.

It was, by all accounts, more theatre than think-tank. But it worked, says Gina Sainy, Reckitt's business support manager. "We wanted to make the staff work for the answers, to engender a 'can-do' attitude amongst them," she said. "We recognise that our biggest asset is the attitude of our staff." No doubt the £20,000 budget will reap dividends shortly. Ms Sainy claims that within a week teams came back with new ideas.

However, the taxman is threatening to spoil the party. Despite a predicted 30 per cent growth rate for the industry, revised Inland Revenue rules threaten to dampen business's enthusiasm for con-

ferences. The Revenue classifies anything that is not pure business as being a benefit in kind, and thus liable for tax.

Take Microsoft, for example. During a recent business conference in Dublin it took two hours out of the schedule to instruct delegates on how to play in unison as a samba band. Microsoft's marketing department might argue this exercise in harmony is integral to the company's spirit and future health. The taxman might not agree.

On top of this, company fact-finding tours for conference venues are also coming under closer scrutiny. So Legal & General's four-day visit to Puerto Rico last week might well attract the taxman's attention.

The balance of work and play is what interests the taxman, and he is becoming increasingly diligent in evaluating the dominant factor and demanding payment accordingly.

JULIAN LEE

# Portugal banks on a riverside renewal to welcome kings

**Eve-Ann Prentice says Lisbon's rejuvenation to host Expo '98 will have lasting significance**

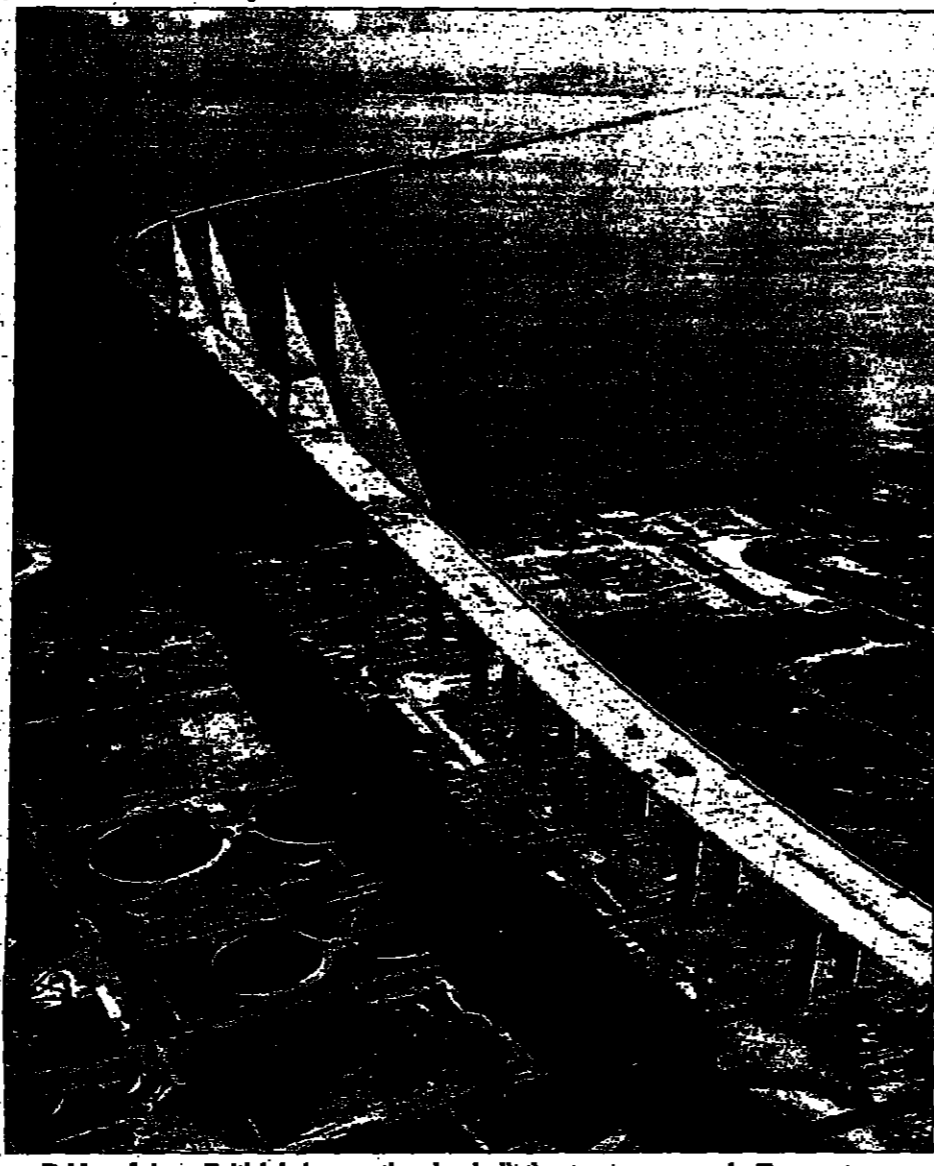
**R**undown docks in the east end of a European capital are nearing completion in their transformation into a glamorous area of futuristic pavilions, chic restaurants, state-of-the-art offices and a showcase for international trade.

Feverish building work is under way to ensure that the site—one of the biggest urban renewal projects in the world—is ready to receive 15 million visitors, including kings, emperors and presidents representing more than 90 per cent of the world's population.

If you assume this is the millennium exhibition on the Isle of Dogs in London, think again. The mammoth task to rejuvenate a three-mile stretch of city riverside is under way in Lisbon, where Expo '98, billed as the exhibition of the century, is due to open in just a few weeks' time on May 22.

Nearly 150 countries will have pavilions at the Expo and nearly a quarter of a million visitors are expected from Britain alone. However, the project is far more than a temporary exhibition for the Portuguese, who are using the event as a chance to rejuvenate a vast swath of Lisbon. Homes for more than 25,000 people and jobs for 18,000 are to be among the lasting legacies of the event.

Where once there was a grim landscape of waste disposal sites, gasworks and other heavy industrial hangovers, gleaming marinas, water gardens, hotels, designer fountains and a state-of-the-art railway station are taking shape. One remnant of the past has been allowed to stay



Bridge of size: a British-led consortium has built the structure across the Tagus estuary

and that is a former BP refinery tower.

The exhibition marks the most dramatic change to the Portuguese capital since the city was devastated by the earthquake and tidal wave of 1755.

The largest aquarium in Europe, designed by American Peter Chermayeff, will be at the heart of the exhibition. An idea of the scale of the project can be garnered from the fact that 15,000 creatures are to be housed in the giant aquarium, known as the Oceans Pavilion, ranging from penguins to sharks.

The theme for Expo '98 is *The Oceans, a Heritage for the Future*, doubly apt since Portugal is celebrating the 500th anniversary of Vasco de Gama's pioneering voyage round the Cape of Good Hope to India and this year has been dubbed 'International Year of the Ocean by the UN'.

A sweeping eight-mile bridge across the wide expanse of the Tagus estuary has been built by a British-led consortium and links the new quarter to the south bank and on to a new motorway leading to the Algarve.

Although the colossal Expo site seemed like one big dustbowl to a first-time observer earlier this month in the final frenetic weeks of construction, British businessmen who also saw the area just before Christmas say they are impressed by the progress made since then and that they are confident it will be complete in time.

Huge traffic jams caused by the army of construction workers leaving the mammoth building site marked the end

of the working day earlier this month, but planners claim the new railway station, metro system and better roads will ensure that the Expo area will not become subject to the same sort of delays that still plague the East End of London after the redevelopment of the Docklands. There will also be 150,000 parking places for Expo '98 visitors, and 15,000 spaces for VIPs.

The exhibition, which will last until September 30, will be open daily from 9am until 3am with a vibrant night life and World Cup football high on the agenda for tourists. The World Cup will be displayed on an enormous screen in the Sory Plaza, while restaurants, rock concerts, parades and dancing are aimed at luring night owls to the event. Tickets will cost around £18 a day.

Among the world leaders expected to represent their countries at the event are the Emperor of Japan and King Juan Carlos of Spain. Among the largest pavilions are those of Spain, China, Japan, Germany and Holland, as well as of Portugal.

Britain has spent about £2 million on its presence at Expo '98, a relatively modest sum, about £1 million each from the Foreign Office and the Department of Trade and Industry.

The theme of Britain's pavilion, which is expected to be visited by 2.5 million people, is *Oceans of Innovation*. It will feature music and theatre aimed at animating the Expo site.

The UK presence is, as might be expected, "a focus for promoting Britain as an innovative, dynamic, creative country at the cutting edge of technological achievement to a worldwide audience", according to the Foreign Office. However, since the Government does not even yet know who it will send to represent it at the opening in May, it is difficult to gauge the depth of its commitment to the Expo.

The cost of the entire exercise, including the permanent buildings and rejuvenation of the formerly derelict Expo area is estimated at more than £1.5 billion.

Against this, Portugal expects to earn £500 million in extra tourism revenue generated by the exhibition, nearly half from visitors from abroad, and a similar amount from tourism in the next few years.

For some, the Expo has already begun. A flotilla of 40 boats including at least three British vessels set off from Lisbon on a round-the-world Expo rally in January 1997 and are expected to return to the Portuguese capital in time for the weekend of the exhibition's opening.

### BUSINESS LETTERS

#### Tax relief change to encourage small pension contributions would help all

From the pensions strategy director, Legal & General

Sir, I read with interest Tony Christopher's fresh thinking on the pensions problem (*The Times*, March 10), but was also hoping for fresh thinking on compulsion. Our own research amongst customers has shown that low income groups feel they would be completely unable to afford compulsory contributions, while small employers feel that it would saddle them with a burden that would make it increasingly difficult to compete in the European marketplace.

We must remember that pension provision is about redistribution in the widest sense. It involves redistribution of resources from our working years to our retired years, redistribution after retirement from those who die quickly to those who live to advanced old age and overlaid across the whole pension framework is a redistribution from the wealthy to the poor achieved through the tax mechanism.

Quite simply, we should change the system of tax relief to encourage small contributions. Perhaps the first £500 of

pensions contribution each year should be matched one-for-one by the Government, with subsequent contributions attracting only a bare 20 per cent tax relief.

The whole system could be underpinned by a minimum pension guarantee, phased in to replace the basic state pension. Upon retirement, Government would top up the pensions of those with only small private provision, but unlike conventional means testing, calculating the top-up as the difference between the minimum pension guarantee and half of the individual's private pension.

Everybody would be assured of a minimum standard of living in retirement, encouraged to aim higher, and reassured that even small contributions would make a difference to their eventual retirement pension.

Yours faithfully,  
ADRIAN BOULDING,  
Pensions strategy director,  
Legal & General Assurance Society,  
Legal & General House,  
Kingswood,  
Tadworth,  
Surrey,  
KT20 6EU.

#### Support for blueprint on pensions funding

From the Director-General, Association of Unit Trusts and Investment Funds

Sir, Tony Christopher's article on pensions (March 10) deserves strong support from all concerned to improve provision for retirement right across the population.

To many, his blueprint will appear like a distant dream. He defines a fund with personal ownership, rock bottom costs and best value for money. All too good to be true. In fact we believe such a fund structure could be put in place by the Government in months rather than years without needing primary legislation. It would be a considerable improvement on most personal pensions and could be used for employer-led funds. More importantly it could provide the basis for both the stakeholder and citizenship pension. The Government could launch it with little difficulty and see what benefits it brought before finalising their overall plans.

Much of the early work on this structure has already been done. We shall follow Tony Christopher's lead and be talking to the Government in coming weeks to persuade them to set now and bring the benefits of his funds forward as soon as possible.

Yours faithfully,  
PHILIP WARLAND,  
Director-General,  
Association of Unit Trusts and Investment Funds,  
65 Kingsway,  
London, WC2B 6TD

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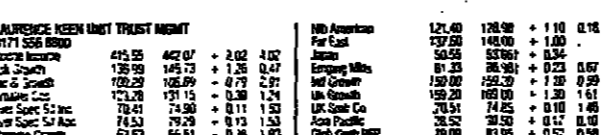
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US AIRWAYS

THE TIMES UNIT TRUST INFORMATION SERVICE

Main table containing unit trust prices, organized by fund name, share price, and percentage change. Includes various fund categories like Equity, Bond, and Money Market.

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UNION-CASTLE LINE CENTENARY VOYAGE DECEMBER 1999 - FEBRUARY 2000

Table listing cruise ship itineraries, including ship names, departure dates, and prices for various routes.

Large vertical text on the right edge of the page, partially cut off, reading 'Having a new...'.

# Playing to win new fans

Are symphony orchestras full of 'glum men in penguin suits' whose dull concerts are manifestly failing to win youngsters over to the cause of classical music, as Richard Morrison suggested

on these pages last Friday? JOHN SUMMERS, chairman of the Association of British Orchestras, argues that there is nothing wrong with the orchestral scene that more public subsidy wouldn't cure

National Orchestra Week, promoted by the Association of British Orchestras in its fiftieth year, was about good news. The good news that, in spite of the disturbing stories of deficits and cuts, British orchestras in the Nineties are very much alive and kicking. Just take a look at the facts. There are many more orchestras in this country than there were when the ABO was founded in 1947: they exist in a huge variety of sizes, shapes and forms, which are distributed throughout the UK and which tour all over the world.

There are more concert halls: there is the great wave of work taking players and composers out of the concert hall and into direct contact with many different parts of the community; and, crucially, there are more children studying music. The most alarming thing for the prophets of doom is that there are more people going to concerts! New halls, in Birmingham, Manchester and elsewhere, have seen huge surges in audiences, and we have in the BBC Proms the world's best attended and most successful festival of orchestral music, one which is the envy of the world.

British players are highly talented, technically superb and adaptable and produce better results on shorter rehearsal times than orchestras anywhere else. Ask any international maestro where they consistently get the goods. Two keywords to a dollar you will get the same answer: the Brits have it by a street.

British orchestral managements are extremely resourceful — and boy, do they need to be. Any manager of the great European orchestras would give his eye teeth to know how bands like the LSO and Philharmonia produce results which put them right in the top league of world orchestras on such comparatively paltry levels of grant income. It is not an accident that British orchestras tour internationally more than those of any other nation. In short, we should be very proud of the fact that within these shores we have probably the best group of orchestras in the world.

What's wrong, then? Why do we keep reading over our breakfast tables about the death of an art form and orchestras on the brink of extinction? The answer is easy — the solution much more difficult — and, as you will have guessed, at the heart of the matter is money. Though Government funding for the arts in this country has never been more than grudging, the simple fact is that if core income levels had kept pace with inflation there wouldn't be many of the problems which exist today. Orchestras

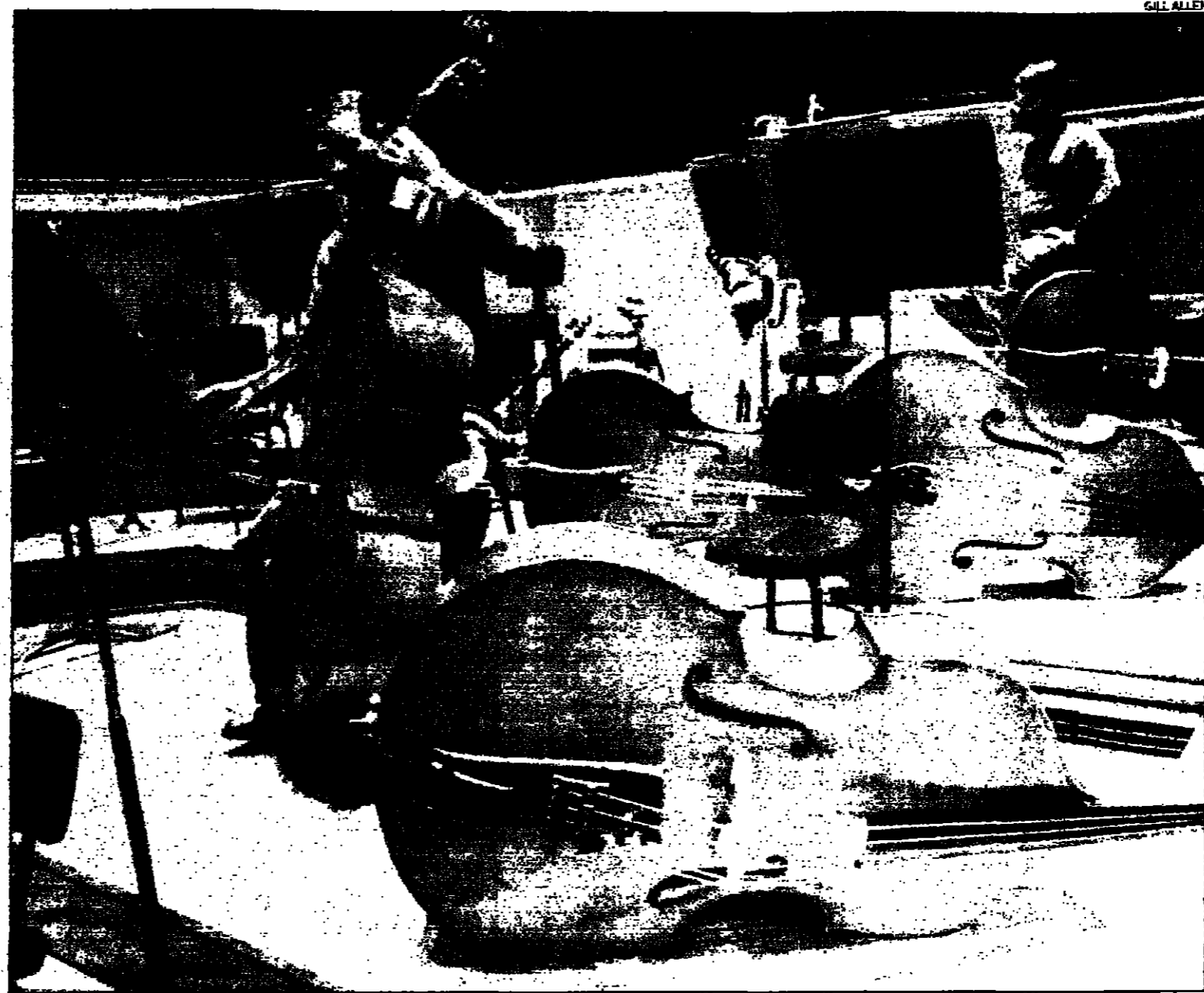
have very high fixed costs because they employ a lot of people, but they trade without reserves and have always lived on a financial tightrope — a tightrope which has now become so narrow it is cutting into their feet.

As an illustration of what difference relatively small amounts of money can make, my own orchestra, the Northern Sinfonia — via a lottery stabilisation grant — has been able to increase investment in marketing and take on more artistic risk (which industry calls research and development). The result? Audiences up massively, and a far greater range of service through different events for people here in the North. Though the cost outlay exceeds the initial financial benefit, the long-term payback will be greater. In other words, we have been enabled to invest in our future.

Without such help, no reserves of our own to invest and with the falling levels of income experienced by most other orchestras — particularly through local authority and Arts Council support and commercial sponsorship — it would simply be impossible for us to find the cash to invest without reducing our costs. And those costs are, in large part, those of employing musicians:

if anything will. If you doubt the lasting value of playing or participating in music, remember this: those NYO players, who will join many professions as well as that of orchestral music, will be enjoying their retirement, but probably still playing for fun, when the ABO celebrates its centenary in 2047.

● The author is chief executive of the Northern Sinfonia



In at the deep end: on the platform of the Festival Hall a double bass player with the BBC Symphony Orchestra prepares for his night's work

## GREAT BRITISH HOPES

Rising stars in the arts firmament  
**PRIYA MITCHELL**

Age: 26.  
Profession: Violinist.

A truly rising star. As the British representative for the European Concert Halls Organisation's "Rising Star" series, she is currently touring the major musical capitals. She appears at the Wigmore Hall on Friday.



Much in demand: From London she goes to New York to make her "daunting" Carnegie Hall debut, and she has just returned from appearances in Cuba. "I was struck by the warmth of the people and their incredible hunger for music — they're still so isolated that any musician who comes and makes the effort to play for them is appreciated."

Beginnings: "I got a violin for my fifth birthday. I was very uncoordinated as a child, flitting from one thing to another, and my mother saw this as something for me to focus on." At ten she entered the Yehudi Menuhin School, going on to study in Vienna and Germany.

No turning back now? "I've only begun to feel that in the last year or two. Being chosen for representation by the Young Concert Artists Trust helped. Now there's a lot to look forward to — especially playing the Sibelius Concerto in the Albert Hall for the first time, with the RFO in June."

Favourite repertoire? "Whatever I am playing at a particular moment is what I am most in love with. I do get a special kick from the Romantic concertos — a mixture of nerves, incredible freedom and a chance to express myself on a grand scale. But then when I'm doing solo work I miss the chamber music, a chance for real communication."

Which great violinists does she most admire? "Ginette Neveu, an almost mythical lady who met a tragic end. Among today's players I suppose Nigel Kennedy, for the way in which every performance is different and the way he makes you think."

Plans? "This may sound pretentious, but I don't think in terms of a career, just in terms of developing myself and becoming a better musician."

JOHN ALLISON

## Hearing is believing

Is there a composer more misunderstood than Tchaikovsky? Stravinsky considered him the most Russian of them all, yet many of Tchaikovsky's fellow-composers accused him of selling out to Western convention. His jolly tunes have given him popular appeal, but for a long time he was regarded as a long condescension from the musical establishment, and the gay liberationists have claimed him with a zeal matched only by the way in which homophobes have dismissed his music as effete.

It has taken at least the century since his death to really appreciate Tchaikovsky for what he is: one of the greatest composers of all time. At the Cité de la Musique in Paris, that appreciation has now been deepened, with Roger Norrington conducting the Orchestra of the Age of Enlightenment in the eleventh and latest of his "Experience" weekends. The programmes, enlightening in every way, will be repeated in Birmingham (Symphony Hall) this weekend and in London (South Bank Centre) the next.

Giving Tchaikovsky the period-instrument treatment shows how much "authentic" performance has caught up with musical history. But Norrington's aim has never been simply to re-create the sound the composer would have heard: stripping away the varnish also reveals the spirit of the music and suggests new approaches to playing it on modern instruments.

Chatting with the audience, Norrington said that one of the objectives was to discover just what Tchaikovsky's Romanticism meant, and the performances were a reminder that Romanticism then was still

something modern and vibrant, not "overwrought" and overblown.

Indeed, in Norrington's "laboratory", Tchaikovsky came across partly as a progressive figure setting advanced technical standards. But he was a great admirer of Mozart, and the period instruments also highlighted his classicism. In a revelatory account of the Serenade for Strings, Norrington galvanised his players into a performance of Mozartian charm that undermined the old-fashioned structure of the suite.

Some of Tchaikovsky's best-known works were featured, making for easy comparisons with traditional interpretations. But few insights were gained from the performance of the First Piano Concerto, and not simply because the "version originale" differs only slightly from the definitive edition, mostly in details in the solo part like the arpeggiated chords at the beginning. The problem was the pianist Cyril Huvé, who made unbelievably heavy weather of the concerto

JOHN ALLISON

## Master's greatest hits fall short

That the Beethovenhalle Orchestra from Bonn, the composer's birthplace, should want to bring some Beethoven to the Festival Hall for the last leg of its European tour is perhaps not surprising. But a whole concert? And such warhorses as the Fifth Symphony, Violin Concerto and Egmont Overture?

This Sunday afternoon concert offered tickets at £5 to youngsters in possession of an adult, but I failed to spot hordes of excited children in the hall or foyer. Perhaps even Beethoven is a strange name to them? He certainly features all too rarely on examination syllabuses these days.

To the credit of the orchestra and its principal conductor, Marc Soustrot, these were not merely routine performances. But neither, in all honesty, were they revelatory. Using modern instruments, the Beethovenhalle Orchestra nevertheless produces a lean, muscular sound.

The opening tutti of the Violin Concerto, at Soustrot's leisurely tempo, suggested a sedate rather than a demonstrative reading. And so it turned out, not least because the soloist, Raphael Oleg, proved more prone to reflection and lyrical reverie than to seizing the attention with commanding tone or rhetoric.

That was something of a deficiency in the first and last movements, where one looks to the soloist to adopt a dominating posture, but it was more satisfactory in the Larghetto, where there developed a lovely dialogue between solo violin and bassoon.

A more sturdy, even heroic note was struck in the first movement of the Fifth Symphony. The Andante began serenely but rose to peaks of grandeur. A tendency towards inflexibility of rhythm in both these movements began to nag in the Scherzo, although the famous transition had some degree of suspense and precipitated an exultant finale.

The Egmont Overture, which had opened the programme, was delivered with taut, well-sprung rhythms that finally exploded in a splendidly theatrical coda.

BARRY MILLINGTON

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# When did you last see your father cry?

Oh! What a Lovely War is back in the front line, 35 years after it first shook the world. Heather Neill reports

Fiona Laird looks relaxed enough. Sitting alone in a National Theatre rehearsal room where she has spent the day improvising with the cast of *Oh! What a Lovely War*, she knocks out a medley of First World War tunes on the piano — *Pack up your Troubles, Goodbye-ee, We Don't Want to Lose You*.

Newspaper cuttings about the war are pinned on the wall. Files of books, memoirs, letters, academic studies and boys' own adventures — together with a rack of clothes, mainly bits of khaki uniform, pierrot ruffs and a selection of headgear, testify to the mixture of cerebral and physical activity which constitutes rehearsal.

Laird is, however, feeling the weight of history, not only that of 80 years ago but also folk memories of the original production which opened on March 19, 1963 — 35 years to the day before the first performance of this revival. "Spooky," she says. The timing was quite accidental.

Laird was not born until two years after *Oh! What a Lovely War* exploded on to the stage at the Theatre Royal, Stratford East. She has seen Richard Attenborough's 1969 film, fine in its way and making the most of the fact that most of the cast were essentially theatrical pieces. Joan Littlewood's Theatre Workshop production has achieved legendary status — it is said to have inspired Richard Eyre to make a career in the theatre, and the young Trevor Nunn declared it the most exciting thing he had seen on the stage — so Laird assumes comparisons will be made by those old enough to remember. Which does not include the present cast, the oldest of whom is 36.

Laird is working in much the same way as Littlewood — not assigning parts until quite late in the preparation period; involving everyone in improvisation, sometimes on themes researched by the cast. She is not attempting slavishly to reproduce the original but to keep to the spirit of its immediacy. "Everyone has to be on the front foot every night."

There is now a script to work from, however. The 1963 Theatre Workshop cast built up the show with the help of Charles Chilton, whose radio programme about First World War songs inspired Littlewood and her partner Gerry Rafferty in the first place. Littlewood, now in her eighties and physically frail, has been support-

ive. "Everyone said she'd never let anyone do it," Laird says. "I spent a whole weekend in my garden composing a letter about my reasons for wanting to do it — and she replied within about ten days."

At that point, in 1966, the plan was to open at the Greenwich Theatre and then tour. When adequate funding failed to materialise, Littlewood generously allowed Laird to hold on to the rights while she tried to mount another production. Then came a phone call from Nunn, newly appointed director of the National. But surely, observers gasped, Joan Littlewood, scourge of the theatrical establishment,

It would be a disaster if it became sentimental?

could not have agreed to a performance at the National Theatre?

Well, yes and no. At one end of Laird's rehearsal space is a rudimentary model of a specially designed big top, a sort of travelling cabaret variety city theatre with tables for some of the audience and room for the musicians. *Oh! What a Lovely War* is being mounted as an education department tour by the National, and it will never play inside the building.

Laird describes her cast of 14 as people "who 70 years ago would have been variety artists — they are funny, can play different characters and have an in-born understanding of the piece" which she describes

as "a hats and accents show". This does not underestimate the seriousness of its intent, merely that she knew that "it would be a disaster if it became sentimental".

The staging will have the simplicity and ebullience of an end-of-the-pier pierrot show, with screens showing, in brutal contrast, some of the horrors of trench warfare and the scale of losses. "It's hard," says Laird, "to get the numbers into your head."

This thought is echoed by Murray Melvin, actor and Theatre Workshop archivist, who was in that first production and has talked about it with the present cast. Then, too, there was much emphasis on research. "Each day we'd all come in with information about the horror and injustice. Some mornings we'd end in tears and Joan would give us all a drink."

He remembers some incidents: for instance, the Christmas Eve performance exactly 50 years after the night when the German soldiers fraternised with the Tommies, exchanging gifts over the wire. The audience could not stop applauding when they did that bit. Another evening, a family came to him at the theatre and insisted that he take the royal souvenir Christmas box which had belonged to their father, lost in the war. Melvin's character presented just such a box to his German counterpart in the play. "It's one of my greatest treasures; they said it was the first time some sort of justice had been done to that lot, the wonderful clowns. Such humour and wit came out of the suffering."

Littlewood made her cast play against these strong feelings. "She'd say: 'Stop falling in love with it! It's not a sentimental subject. And don't ever mention a poppy in a corner of a foreign field, where



"Such humour and wit came out of the suffering": Murray Melvin (right) in Joan Littlewood's 1963 stage production of *Oh! What a Lovely War*

there's likely to be some poor bugger screaming to death."

In 1963, Melvin says, "the reason we were able to put it on was that information was available which had not been available until then under the 50-year rule. It infuriated the Haig family. [Field Marshal Sir Douglas] later Lord Haig was commander in chief of British forces in France and Flanders. They were there every night, talking notes. We had to be careful that everything we said was verifiable." For this reason, with the Lord Chamberlain still just off-stage, adding was not as prevalent as legend suggests, although Victor Spinetti as the MC would respond differently to audiences in one or two specific passages.

If attitudes to authority have changed since 1963, there is still a real danger of war — early rehearsals for this production proceeded against the background of the West squaring up to Iraq — and Melvin is especially pleased that young audiences will be warned against "the frightful raising of the flag". He is moved by the youth of the company. "We were young too." It was only 18 years since the end of the Second World War, and many in Theatre Workshop had family stories about the Great War. "Joan said, 'You must never think those boys were history; they are you!'"

Oh! What a Lovely War opens in Swanley, Kent (01732 450175) tomorrow; for other venues and dates, call 0171-928 2252

## You couldn't find finer company

Grateful for moderately satisfying plays, grumpily enduring the mediocre, and twisting with rage at the incompetent, one easily forgets the electric charge that energises body and mind when a major play reveals its quality. This is a pleasure that comes all too rarely, and these days is likely to arrive with an Irish or, as here, an American accent.

The New York production of Terrence McNally's emotionally vigorous comedy won four awards, which is not inevitably a guarantee of quality but has this time been triumphantly earned. In an idyllic country setting in upstate New York eight gay men gather on three successive national holidays during a summer. The lakeside house is owned by

Love! Valour! Compassion! Manchester

Gregory, a celebrated dancer-choreographer struggling to create a new ballet to piano pieces by Webern.

In traditional terms the play's principle crisis occurs a few moments after the play begins, when Greg's otherwise devoted (and blind) lover Bobby briefly allows one of the guests to make love to him. The repercussions from this rumble on from the Memorial Day weekend through the Fourth of July to be astonishingly resolved on Labor Day.

Some of the other guests know about this event from

voices burnish an old song (*Beautiful Dreamer, The Good Old Summer Time*) with sorrow and wonder, the focus moves on to smaller groups joking, disputing, dancing, relating. These are men at ease, men getting on with living and, in two cases, redefining themselves for death.

The ebb and flow of talk and movement, where an emotion can turn on a line, is sensitively orchestrated in Roger Haines's direction. The movement is especially convincing in Bryan Carney's blind man's gestures, and in the total belief we have when seeing Nicolas Chagrin's Greg at work on his ballet. Witty, poignant, enlightening — I ask for nothing more.

JEREMY KINGSTON



John Mills as Field Marshal Haig in the 1969 film version

### POP: Worthy inheritors of Sixties pop; plus a Sixties songwriting legend

No one could accuse the Bluetones of courting publicity. They seem hardly to be on speaking terms with it. This is a band with a lower profile than M15. Yet there was a time, back in 1996, when the group's debut album was at No 1 and their song *Slight Return* was at No 2. What the Bluetones lacked in column inches, they made up for in devoted followers. After all, this was a group that reportedly had inspired three fanzines before they had realised three singles.

In 1997, they almost disappeared from view completely, as they retreated to Wales to record their recently released second album. *Return to the Last Chance Saloon*. Now they're touring again, and by the look of the "sold out" signs, still filling venues with loyal fans.

Their performance is typically understated. Singer Mark Morriss prowls around the stage, dispensing the odd affable remark, and singing with a new assurance. His brother Scott provides the backing vocals and, with drummer Eds Chesters, a suitable solid rhythm section. Guitarist Adam Devlin commands a battery of musical effects, which he marshals with a casual ease. Only the lights show seems to fancy a wild night out. It is all flashes and strobes, needle thin beams and raking search lights.

The band moved easily from the cool Wild West of *Unpainted Arizona* — one part Gary Gilmore, one part Tex Ritter — to the grinding riff of *Solomon Bites the Worm*. The bleak lyrics of

## Low in profile, high in fans

Bluetonic ("All Hope is Gone") or of *4-day Weekend* ("The future is dead") are invariably lifted by a soaring chorus and the sweet harmonies of the Morriss brothers. Even the lascivious groan of *Sleazy Bed Track* has a sugary charm to it.

Most of the set comes from the new album, but its predecessor is also well represented. Maybe it is because the old tunes are more familiar that they seem to offer more accessible pleasures. The latter songs are trickier, often

straining for effect with switches of mood and pace. They are well crafted and neatly executed, but in their restlessness they can be frustrating — like trying to have a conversation with a bouncing trampoliner.

They are best when least frantic. On the poignant *Sky Will Fall*, its melody gently floating on Devlin's fountain of notes, the Bluetones demonstrate that they are skilled performers and worthy inheritors of smart, Sixties pop.

JOHN STREET

## Good old revival songs

In much the same way that there was a huge resurgence of interest in Burt Bacharach a couple of years back, the revival spotlight has now fallen upon the neglected genius of Jimmy Webb. The recently released *The Classic Songs of Jimmy Webb* is an 18-track collection of the hits he wrote for other people — including everything from Glen Campbell's *Wichita Lineman* to both Richard Harris's and Donna Summer's versions of *MacArthur Park* — yet Webb is more than capable of doing justice to his own work.

Webb prepared for his comeback with the 1996 album *Ten Easy Pieces* and Friday's show at the Fairfield Halls was a taster for his three-night stint at London's Jazz Cafe this week. The last time Webb played in London was in 1971 when he was just 23, a former farm boy from Oklahoma whose song-writ-

ing talent had already won him his first Grammy and made him a millionaire.

He still wears his hair long — though it's now tied back in a ponytail and offset by a suit. And the stage set-up was equally simple: just Webb, his voice and a grand piano. He began the two-hour set with some of his biggest hits — *Highwayman*, *Galveston* and *By The Time I Get To Phoenix* — singing them with depth and sensitivity and adding more weight and orchestral drama to songs like *Worms That Could Happen*.

In between, Webb told anecdotes after anecdotes, with convincing charm. But, as you might expect from a man who has written so many dark-hued love songs, his

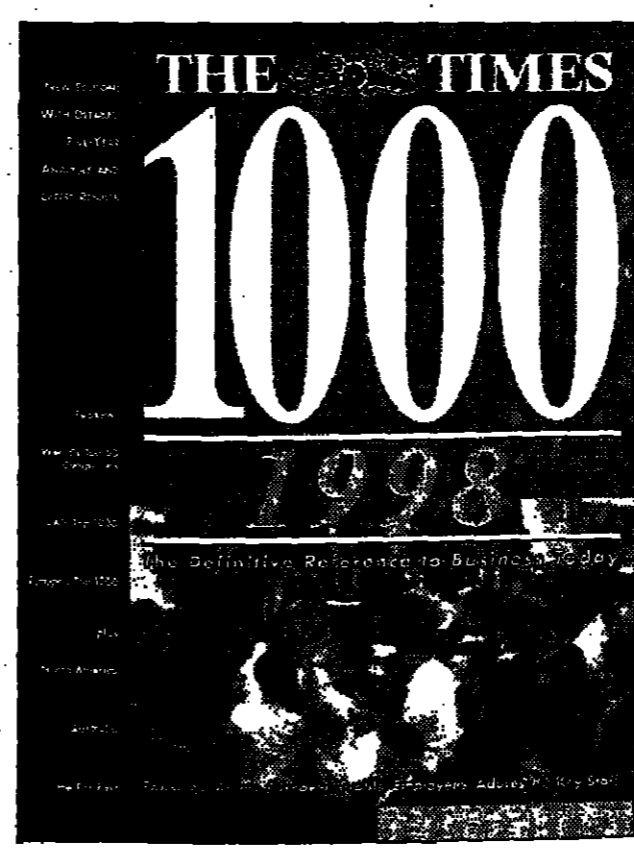
humour also had a black side. "Roberta Flack recorded one of my songs, but I didn't know, because I didn't recognise it. Ma, what have they done to my song?" he implored. "It's the story of my life!"

Luckily, Campbell knew exactly what to do with Webb's songs and just the opening chords of *Wichita Lineman* brought rapturous applause. The reaction to that, and the kitsch super-pop of *MacArthur Park*, was so good that Webb was forced to return for five encores, the highlight of which was the mournful *Adios*, a song which Brian Wilson is due to record as a tribute to his late brother Carl — "I guess my snappy repertoire crosses in useful sometimes," he quipped. The Jimmy Webb revival has officially begun.

ANN SCANLON

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# Picasso's Italian theatricals

**John Russell Taylor**  
explores the great  
artist's joyful Neo-  
Classical period now  
on show in Venice



Fresh offensive: the First World War sparked a regard for classical form and monumental idealism, as in *La Source* (The Spring) of 1921

Some years ago I found myself reviewing together two catalogues raisonnés, one covering the whole career of Turner, the other just the seven Cubist years of Picasso, 1907 to 1914. Turner had a lengthy working life and was no slouch, but his entire catalogue contained fewer works than did Picasso's.

Moreover, far from being bulked out with ephemera, Picasso's was made up of works which left an indelible mark on the art of the century, starting with one of the pivotal works in the whole history of modern painting, *Les Femmes d'Alger* of 1907, in which enthusiasm for so-called primitive art combined with devotion to the example of Cézanne produced, almost out of nowhere, the whole movement of Analytical Cubism.

Bearing this in mind, the idea of Picasso 1917-1924 as an exhibition to fill the whole of Fiat's huge Venetian arts centre, the Palazzo Grassi, does not after all seem so disproportionate. Selecting these particular seven years enables us to skip over the war years, occupied with Picasso's return to colour after the self-denying earthy palette of Cubism's first phase, and his evolution from the staidly Analytical to the more humane and approachable Synthetic version of the style.

In 1917 a number of important things happened to Picasso. Through Cocteau he met Diaghilev, and agreed to work on the design of a ballet Cocteau was elaborating with Erik Satie. This work, *Parade*, was then in preparation in Rome, and so Picasso went with Cocteau to Italy for the first time.

This means that the exhibition devised for Venice can, not unreasonably, be labelled "The Italian Years", not in terms of time spent, but because in a deeper sense it is quite true that a feeling of Italy began to pervade Picasso's work. He was fascinated by much more in Italian cultural history. He became absorbed in the *commedia dell'arte* and its characters, for instance, which all linked up with his obsession with the circus during the pre-Cubist Blue and

Rose periods. With Cocteau and with his new friend Stravinsky he ransacked the print shops for pictorial material about the *commedia*, which was soon to come in useful for his first professional collaboration with Stravinsky, *Pulcinella* (1920).

Indeed, at this period the careers of the two towering giants of 20th-century art, Picasso and Stravinsky, went oddly in parallel. Stravinsky progressed from the wildness of *The Rite of Spring* to the intimate chic of *Pulcinella* as Picasso moved on from the offensive gestures of *Les Femmes d'Alger* to the immaculate control and monumental quietude of a painting like *La Source* (1921). Both were involved in the "rappel à l'ordre" required by Cocteau, a withdrawal after the dislocations of the First World War into a new regard for classical form and monumental idealism, not to men-

tion the cultivation of representation-  
al precision in drawing.

The sheer joy at the processes of making art which radiates from Picasso's Neo-Classical period is surely the side effect of a happy and contented life. In Rome in 1917 Picasso met Olga Kokhlova, whom he married the following year; in 1921 his first child, Paulo, was born. All his interests seemed to be coming together through a series of theatrical projects, which included *The Three Cornered Hat*, a good excuse for returning to his Spanish roots, and *Le Train Bleu*, another Cocteau project.

Theatre in fact provides the central thread for this show, as it does for so much of Picasso's life and work. We actually begin with the huge dramatic curtain for *Parade*, hung dramatically slantwise across the Palazzo's atrium, its harlequins and clowns responding perfectly to the glittering

18th-century murals of carnival crowds on the other side of the hall. It ends with the curtain for *Mercure* (1924), restored at Fiat's expense, which marks a veering away from Neo-Classicism into a more loosely representational, semi-abstract style.

What strikes one above all about the paintings of the Neo-Classical period is their *luxe, calme et volupté*. These great, heavy-limbed women reclining in minimal landscapes seem located outside time and its petty concerns. Soon enough, with *Guernica* little more than a decade away, Picasso would have to move back into the firing line, but for the moment he hung free in a state of blissful equipoise.

The other astonishing thing about the show is the testimony it offers, over and over again, to Picasso's

supreme skill as a draughtsman. At the time, as today, there were those who insisted on seeing him as some kind of confidence trickster. But if he embraced the primitive and the childlike, it was because he wanted or needed to, not because he could not draw any better. The thumbnail sketches of his intimates are brilliant, the sheer invention of the stage costumes and sets is staggering, and when he chooses to do a semi-formal portrait, as in those of his wife Olga in an armchair or his son Paulo dressed as harlequin, the line is worthy of Ingres.

It may be, art being art, that Picasso was not happy at all while doing this work. But this is a show which is guaranteed to make everyone who visits it very happy indeed.

● Picasso 1917-1924 is at the Palazzo Grassi, San Samuele, Venice (41-5231682) until June 28

## Everything but inspiration

Houston has an exciting skyline of high-rise architecture and a deep pocket for private patronage of the arts. Its ballet company is one of America's largest; its complex of theatres and rehearsal studios in the Wortham Centre proclaims a state-of-the-art opulence that the Royal Opera House redevelopment is unlikely to match. No wonder Ben Stevenson was willing to forsake his native Britain and head the Houston Ballet for, to date, 22 years.

On the streets Houston's spring edges in with tepid dampness, but on stage is the frozen winter of fairytale Russia, picture-book icicles glistening, reindeer-drawn sledges travelling across snowy expanses. Ballet, like America, is a fantasy world of geographical incongruities. Thus *The Snow Maiden*, a new three-act ballet based on Alexander Ostrovsky's Slavic folk-play, brings together three familiar British collaborators: Stevenson as choreographer, Desmond Heeley as designer and John Lanchbery, who has mixed and matched extracts of Tchaikovsky, including the incidental music for Ostrovsky's play, into an unobtrusive accompaniment.

The ravishing, dark-eyed Nina Ananiashvili has some authenticity in the title role, being a former child ice-skating champion and Bolshoi ballerina, but not so her partner Carlos Acosta, the sensational black Cuban who appeared with English National Ballet seven years ago. Stevenson, as we remember from his productions for ENB, tells a brisk and efficient story, but offers no fresh insight on choreography. This is ballet as people expect it to be: narrative, pretty and well-ordered. There are just the right number of traditionally presented solos, pas de deux and ensembles; there is a pleasant blend of Russian folk dance and classical ballet.

Ananiashvili deftly conveys the *Snow Maiden's* high-spirited innocence which leads her to ignore Father Frost's warning about falling in love with the human Misgir. The choreography for her central pas de deux with Misgir swoops and

### DANCE

#### Houston Ballet

slides on the surface of the achingly beautiful entr'acte music from *The Sleeping Beauty* without ever finding the destination of inspired originality. Tiekka Schofield, who has perfect, fine-drawn proportions, gets plenty of scope as Misgir's fiancée Coupava, culminating in a grand bridal pas de deux with him. Above all, *The Snow Queen* provides a showcase for the dancers' wonderful training under Stevenson and his staff. We knew



Nina Ananiashvili: a deft *Snow Maiden*

about this already from the company's British visits; but they are at present looking especially polished, with vigour and cohesion.

As Misgir, Acosta reveals himself as not only a stirring solo dancer of bracingly clear geometries, satiny turns and airborne trickery — legs cutting up space like rotary blades in whirled jets — but also a refined partner, with a face that travels vividly down the footlights.

In June *The Snow Maiden* transfers with Ananiashvili to New York to its co-producer American Ballet Theatre. Meanwhile, we in Britain can look forward to Acosta joining the Royal Ballet in September.

NADINE MEISNER

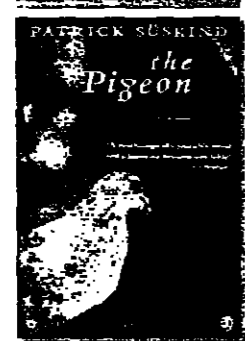
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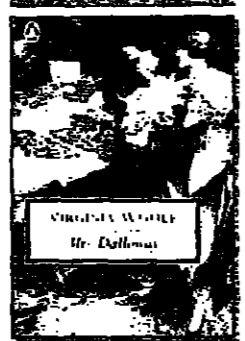
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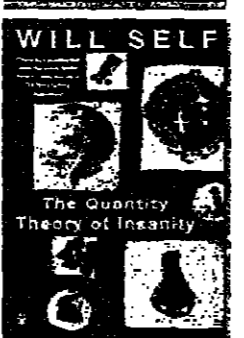
Edmund Hooper does not want another boy in the isolated Victorian house, but Kingshaw still came. To Hooper he is an intruder, to be persecuted. This story reverberates with the terrors of childhood, told with poignancy and horror.



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Moving and beautifully written, it had me shining up all night! — Mary Woolley in the Daily Mail

A beautifully written and highly moving autobiography covering one hundred years of British history. Forster's memoir of her grandmother and mother starts in working class Carlisle and goes on, in a moving, evocative account, to mirror the fortunes of three generations of British womanhood.

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CHANGING TIMES

Joining bodily harm with indecent assault

Regina v S
Before Lord Justice Buxton, Mr Justice Rafter and Mr Justice Denison, QC
[Judgment March 5]

...pleas should be treated not as a final plea but simply as indications of his intention as to plea.

...inserted by section 15 of the Criminal Justice Act 1987 and amended by paragraph 5(2) of Schedule 6 to the Criminal Justice Act 1991...

That was said to have arisen because the offences alleged in those counts should have been dealt with at the youth court in accordance with section 24 of the 1980 Act.

with that analysis, in order to have made good his contention as to the effect of the section 24 on the proceedings in the crown court, counsel for the appellant had been directed to argue that all matters save for those expressly exempted had to be tried in the youth court, and therefore that the crown court had no jurisdiction over them even if they had never been the subject of an information in the magistrates court.

The Court of Appeal, Criminal Division, so held in a reserved judgment dismissing an appeal by S against his conviction on September 5, 1997 (Judge Watts and a jury at Southwark Crown Court) of two counts of assault occasioning actual bodily harm and one count of indecent assault. He was acquitted of a further two indecent assault counts.

The practice was adopted because section 10(3) of the 1980 Act required an adjournment after conviction to be for no more than four weeks at a time. The step was taken of not entering a conviction on the first occasion in order to prevent the parties having to return to court after four weeks at a time.

Second, the history demonstrated that the steps taken on behalf of the prosecution had involved no impropriety, abuse, or attempts to avoid the sentencing limitation which existed in the magistrates court.

Section 24 provided that where a person under 18 appeared before a magistrates court on an information charging him with an indictable offence not covered by section 24, the prosecution had to take the step of withdrawing the actual bodily harm charges, S was not before the magistrates court on an information.

Ms Win Hunter, assigned by the Registrar of Criminal Appeals, for the appellant Mr Sean Larkin for the Crown.

The indictment consisted of two counts of assault occasioning actual bodily harm and one count of indecent assault. The previous occasion and applied to withdraw the charges in the magistrates court, with the intention that they should be added to the indictment when the assize court resumed the crown court.

The appellant had always intended to plead guilty to the actual bodily harm counts. On his plea, in the crown court he was sentenced to nine months detention alternatively on each count of actual bodily harm.

The original information then before the court was that charging the indecent assaults. Read literally therefore, the section did not apply to him.

LORD JUSTICE BUXTON, giving the judgment of the court said that S, aged 17, had appeared before the Balham Youth Court, charged with two counts of actual bodily harm and three of indecent assault on March 4, 1997.

The previous occasion and applied to withdraw the charges in the magistrates court, with the intention that they should be added to the indictment when the assize court resumed the crown court.

That intention was made entirely clear to the court, the defendant and his advisers and no objection was raised by them. The defendant was also informed of the provisions of section 24(4) of the Administration of Justice (Miscellaneous Provisions) Act 1933, as

claimed asylum, the account he gave was, as now accepted, a tissue of lies. That was the only account which was before the asylum directorate on May 7, 1997, when the decision to refuse his claim was made, and he then knew that the applicant would subsequently give a wholly different account.

The Crown court did have jurisdiction to add the actual bodily harm counts to the existing indictment.

Home Secretary's asylum decision final when it is made

Regina v Secretary of State for the Home Department, Ex parte Saleem
Before Lord Justice Hobhouse, Lord Justice Brooke and Sir John Balcombe
[Judgment March 6]

Justice Hobhouse dissenting, when dismissing an application for judicial review by Palki Saleh against a decision of the Secretary of State for the Home Department dated September 5, 1997 to notify the Department of Social Security that his claim to asylum had been recorded as determined.

Secretary under rule 328 of the Immigration Rules 1994 (HC 395). The Home Secretary, whose functions were delegated to the Home Office Asylum Directorate, had to make his determination in accordance with the United Kingdom's obligation under the Geneva Convention.

In the circumstances it was not open to the court to say that the Home Secretary did not on May 7, 1997 determine to refuse the applicant's claim for asylum and then record that determination.

A decision by the Home Secretary to determine an application for asylum by refusing it and recording that result was a final decision. Any later consideration of representations on behalf of the asylum seeker could amount to no more than a recognition of the secretary of state's continuing duty to observe the Geneva Convention and Protocol relating to the Status of Refugees (1951) (Cmd 9171) and (1967) (Cmd 3906) and to consider any further representations which might persuade him to reconsider the decision he had already made to refuse the claim for asylum.

Regulation 70(4A) of the Income Support (General) Regulations (SI 1987 No 1967), as amended by the Income Support (General) Amendment Regulations (SI 1996 No 606), provides that a person "(b) ... ceases to be an asylum seeker ... if in the case of a claim for asylum which, on or after 5th February 1996, is recorded by the secretary of state as having been determined (other than on appeal) ... on the date on which it is so recorded."

However, even though the Home Secretary might have determined to refuse asylum, his obligations under the Convention continued up to the time an application was removed from the country or was granted asylum, and he had to consider any further representations made.

It was against that background that the relevant provisions of the 1987 Regulations, as amended, operated. They regulated the entitlement to income support of an applicant for asylum.

Mr Nicholas Blake, QC and Miss Stephanie Harrison for the applicant Mr Neil Garman for the secretary of state.

SIR JOHN BALCOMBE said that while a person seeking entry to the United Kingdom claimed asylum, his application would be reviewed by the immigration officers for determination by the Home Secretary.

When the applicant arrived at Heathrow on April 17, 1997 and

in his Lordship's judgment, all that happened thereafter was a recognition by the secretary of state of his continuing duty to observe the Geneva Convention and to consider any representations which might persuade him to change his decision to refuse the applicant's claim for asylum.

For the same reason he was of the opinion that Mr Justice Potts was wrong in R v Secretary of State for the Home Department, Ex parte Bowyer (unreported, October 27, 1997) to be persuaded by counsel for the secretary of state to find Mr Bowyer's claim was not recorded as having been determined on March 12, 1997, the date when a senior officer in the asylum directorate agreed with a proposal by a subordinate to refuse his claim and noted his file. The fact that reasons for a refusal were being drafted later did not mean that the claim had not been determined when the decision was recorded.

TOYOTA THE TIMES WTM one of four Toyota Land Cruiser Colorados. See this Saturday's Times and start collecting tokens. Then you can go where other cars can't. CHANGING TIMES

Income tax relief on Scottish venture

Major (Inspector of Taxes) v Brodie and Another
Before Mr Justice Park
[Judgment March 13]

Relief from income tax was available under sections 353(f) and 362(f)(b) of the Income and Corporation Taxes Act 1988 in respect of interest payments on loans made to persons resident in England who used the money to finance partnerships to carry on a trade of farming in Scotland.

When that paragraph required the money to be used wholly for the purposes of the trade carried on by the partnership there was no need or justification for tacitly interpreting the word "alone".

Mr Justice Park so held in a reserved judgment in the Chancery Division when dismissing the Crown's appeal from a determination by a special commissioner, Mr David Shirley, that had allowed the taxpayers, Mr and Mrs Stanley Brodie, the relief from interest payments on loans made to them by Counts Finance Co for the years from 1987-88 to 1992-93.

Section 362 of the Income and Corporation Taxes Act 1988 provides that annual interest payable in the United Kingdom is "(1) ... eligible for relief under section 362 if it is interest on a loan to an individual to defray money applied ... (b) in contributing money to a partnership by way of capital or premium, or in advancing money to a partnership where the money contributed or advanced is used wholly for the purposes of the trade ... carried on by the partnership."

Expert evidence of Scots law was called by both sides. The commissioner preferred that given by Professor Murray, QC, for the taxpayers. His critical proposition had been that although section 4(2) of the 1980 Act ascribed separate legal personality to a Scottish partnership, it remained the case that by virtue of sections 1(1) and 4(1) there were still persons carrying on business in common with a view of profit, and those persons were the partners.

It was agreed that the original appearance and plea before the magistrates could not found a defence in the crown court of autrefois convict, since S had not been sentenced in the magistrates court on the same facts as the Queen (1993) AC 217.

Plaintiff's references to the same partnership, Mr Henderson said that the money was contributed to the Skeldons Estates Partnership but it had been used wholly for the purpose of the trade carried on by W. Murdoch & Son. That, he said, was a "misquoting" and therefore the taxpayers did not qualify for the relief.

The Crown reserved the right to reopen that question in the House of Lords should the case get that far, but in this court the finding of the commissioner on the law of Scotland on that issue was not challenged.

MR JUSTICE PARK said that for the Crown it was agreed that all the conditions for the relief were satisfied except for a special feature which, it was alleged, made all the difference, namely that the case involved two partnerships, not one.

But that argument ignored the true legal nature of a partnership, and the relationship of a partnership and its members. Leaving aside for the moment the special feature that a Scottish partnership had a legal personality of its own (section 4(2) of the Partnership Act 1890), a trade carried on by a partnership was a trade carried on by its members and by each of them.

In the Court of Appeal a different Scots law point emerged based on the Crown's contention for the need for uniformity of application of the tax code north and south of the border. The argument failed.

In 1986 the taxpayers had formed a partnership between themselves to carry on the business of proprietors of the Skeldons Estates, Ayrshire. Each of them contributed money from the loans to that partnership.

The money contributed by the taxpayers to the Skeldons Estates Partnership was used wholly for the purposes of the trade of farmers carried on by Skeldons Estates Partnership in common with Mr Henry Murdoch under firm name of W. Murdoch & Son. The conditions of section 362(1)(b) were thereby satisfied.

Without the appropriate direction as to the limited effect they were permitted to give complaint evidence, there was every danger of the jury having thought, as on one view might be a common sense reaction, that such evidence was indeed further evidence of the truth of the complaint, rather than being of limited assistance in assessing the veracity of the complainer.

Complaint no corroboration

Regina v Islam
Before Lord Justice Buxton, Mr Justice Rafter and Judge Denison, QC
[Judgment March 13]

Where a sexual offence was alleged, it was a matter of law, not of judgment or discretion, that complaint evidence had only the limited effect of helping the jury to decide whether the complainant was telling the truth, without the effect that the evidence "may possibly help you to decide whether she had told you the truth. It cannot be independent confirmation of X's evidence since it does not come from a source independent of her."

Without the appropriate direction as to the limited effect they were permitted to give complaint evidence, there was every danger of the jury having thought, as on one view might be a common sense reaction, that such evidence was indeed further evidence of the truth of the complaint, rather than being of limited assistance in assessing the veracity of the complainer.

That, in their Lordships' view, was the direction that judges ought to give. It conveyed as well as anything the peculiar nature of evidence of a complaint: that it had more significance than merely as evidence of the fact of the complaint having been made, while at the same time emphasising that it was not evidence of the facts complained of.

The issue on appeal concerned the effect of a failure to direct the jury as to the status of complaint evidence. The Judicial Studies Board standard direction was to the effect that the evidence "may possibly help you to decide whether she had told you the truth. It cannot be independent confirmation of X's evidence since it does not come from a source independent of her."

In a case such as this, which turned on word against word, it was difficult to feel confident in the safety of a conviction when the true legal status of part of the evidence had not been made clear to the jury.

Before the abolition of the old corroboration rules by section 32(1) of the Criminal Justice and Public Order Act 1994 it was necessary to warn the jury that a complaint did not constitute corroboration in the technical sense that it did not come from a source independent of the witness.

That, in their Lordships' view, was the direction that judges ought to give. It conveyed as well as anything the peculiar nature of evidence of a complaint: that it had more significance than merely as evidence of the fact of the complaint having been made, while at the same time emphasising that it was not evidence of the facts complained of.

Accordingly, the appeal would be allowed and the convictions quashed.

LORD JUSTICE BUXTON, giving the reserved judgment of the court, said that the prosecution had adduced evidence of the complaints made by two of the complainants to police or to friends or relatives at or near the time of the alleged assaults to demonstrate, both by the fact of the complaint and the distress of the victims when making the complaint, consistency on the part of the complainant, in that the complaint had been in broadly the same terms as the evidence that she subsequently gave in court.

Without the appropriate direction as to the limited effect they were permitted to give complaint evidence, there was every danger of the jury having thought, as on one view might be a common sense reaction, that such evidence was indeed further evidence of the truth of the complaint, rather than being of limited assistance in assessing the veracity of the complainer.

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European Law Report

Luxembourg

Claiming over dismissal before transfer

Jules Dethier Equipement SA v Dassay and Another
Case C-319/94
Before H. Ragnemalm, President of Chamber and Judges G. F. Mancini and J. L. Murray
Advocate General C. O. Lenz
(Opinion July 11, 1996)
[Judgment March 12]

Mr Dassay brought an action for Sovam and Dethier to be held jointly and severally liable for sums claimed as compensation in lieu of notice, paid holiday leave and end-of-year bonuses, and the court referred questions on issues raised.

Article 1 of Directive 77/187 provides: "(1) This directive shall apply to the transfer of an undertaking, business or part of a business to another employer as a result of a legal transfer or merger."

Article 4(1) provides: "(1) The transfer of an undertaking, business or part of a business shall not in itself constitute grounds for dismissal by the transferee or the transferee. This provision shall not stand in the way of dismissals that may take place for economic, technical or organisational reasons entailing changes in the workforce."

The Community directive on the safeguarding of employees' rights in the event of transfers of undertakings applied in the event of the transfer of an undertaking which was being wound up by the court if the undertaking continued to trade. Both the transferee and transferee of an undertaking could dismiss employees for economic, technical or organisational reasons.

Article 4(1) protected the rights of employees against a dismissal whose sole justification was the transfer, vis-à-vis both the transferee and transferee.

However, by the form of the procedure, the undertaking continued to trade while it was being wound up by the court, and continuity of the business was thus assured when the undertaking was transferred.

The final question concerned employees unlawfully dismissed before the transfer and not taken on by the transferee.

Employees unlawfully dismissed by the transferee shortly before the undertaking was transferred and not taken on by the transferee could claim, as against the transferee, that their dismissal was unlawful.

The Sixth Chamber of the Court of Justice of the European Communities so held in a reference under article 177 of the EC Treaty by the Cour du Travail (Higher Labour Court, Liège, Belgium), for a preliminary ruling on questions of interpretation of Council Directive 77/187/EEC of February 14, 1977 on the approximation of the laws of the member states relating to the safeguarding of transfers of undertakings, businesses or parts of businesses (OJ 1977 L61 p26).

The first question concerned the applicability of the directive in the circumstances.

The next question asked whether only the transferee, or also the transferee, could dismiss employees for economic, technical or organisational reasons.

The Court had ruled in Case 135/83 Abels v Bedrijfsvereniging voor de Metaalnindustrie en de Electrotechnische Industrie (1985) ECR 469 that the directive did not apply to the transfer of an undertaking in the course of insolvency proceedings, but that the reasons for so holding were not valid when the proceedings involved supervision by the court which was more limited than in the case of insolvency and when they were intended primarily to safeguard the assets of the undertaking and, if possible, keep the undertaking in business by means of a collective suspension of debt payment with a view to reaching a settlement allowing the undertaking to continue operating in the future.

The Court had held that employees whose employment contract or relationship came to an end with effect from a date before the transfer, contrary to article 4(1), must be regarded as still employed by the transferee on the date of the transfer, with the result, in particular, that the employer's obligations towards them were automatically transferred to the transferee.

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On those grounds the Court of Justice ruled:

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Rachel Kelly on a report from SAVE Britain's Heritage that highlights the perilous state of some of the country's architectural gems

# Crumbling and neglected, our country houses

There have been campaigns to save our deserted churches. Others have been aimed at rescuing abandoned military bastions. There are even those who champion the fate of our neglected grotesque and belvedere. But on the bandwagon that is modern conservation, we have almost forgotten the original cause of concern: the country house.

Now SAVE Britain's Heritage, in its latest catalogue of neglected architectural beauties, the conservation group highlights the fate of 24 listed country houses. The group estimates that a further 100 historic houses are at risk.

Houses in need of urgent repair include splendid and important country properties such as Thame Park at Thame in Oxfordshire, and Dodington Hall in Cheshire, both identified in the report.

Emily Cole, the author of *Seeking Saviours*, emphasised the number of large country houses featured. Others are Apehorpe Hall in Northamptonshire and Peckforton Castle in Cheshire.

"Recently, the focus in the conservation world has been directed away from country houses at risk towards other types of buildings; redundant hospitals, schools and asylums. But this report shows how many important country houses are still in danger," Miss Cole says.

The latest catalogue features 190 buildings, ranging from derelict barns and stables to the country houses, castles and lighthouses. Most of the buildings are listed and unoccupied and are to be found in the North and West of England.

Miss Cole says: "Kent, Herefordshire, Oxfordshire and Buckinghamshire and the other Home Counties are relatively free of problem buildings, reflecting the health of the property market in the South East."

The catalogue is the largest that SAVE has produced since it began identifying buildings at risk nine years ago. "The situation is not getting worse," Miss Cole says. "The increase in the number of buildings we feature reflects the fact that more district councils are monitoring the condition of listed buildings on their patches."

Details in the report come largely from the conservation officers in local authorities who have spotted a rotting building and tried to contact its owners, often without success. A would-be buyer would have to take up the challenge.

Lady Roma Delves Broughton is the owner of the Grade I listed Dodington Hall, a formidable house six miles from Crewe in Cheshire. The house has belonged to the family of her late husband, Sir Evelyn, since it was built between 1771 and 1790 by Samuel Wyatt. The house has been vacant since it was used as a girls' boarding school over a decade ago.

Lady Delves Broughton, 57, is criticised in the report for failing to carry out much-needed repair work. The report states: "The house is structurally in a poor condition. Windows are broken, some dry rot

site of an important 12th-century Cistercian abbey. Around 1745, some parts of the abbey were incorporated into a new house, which was built for the sixth Viscount Wenman.

The house was bought by a Japanese business consortium over 15 years ago. Some repair work was carried out then, but nothing has been done for eight or nine years.

"The condition of this important building is now poor," says Miss Cole. "Though the house has been used as an extravagant set for films such as *The Madness of King George*, Thame Park remains empty and neglected."

Phil Stubbs is the owner of the Grade II listed Tortworth Court in Gloucestershire. The past seven years have proved troubled times for both him and his impressive mansion, built in the mid-19th century for the second Earl of Duce in imposing Tudor Gothic style, and sold to Mr Stubbs in 1987 for under £1 million. In January 1991, a fire caused extensive damage to the building and he is now locked in a legal battle over insurance claims.

Tortworth Court was constructed from rubble and Bath stone dressings. The lavish exterior features canted bay windows, embattled parapets, turrets, gargoyles and heraldic beasts. Inside are rib-vaulted ceilings and paneled doors, a tall central hall and a spiral wooden staircase. The fire in 1991 destroyed two-thirds of the building.

Mr Stubbs had planned to turn the property into a retirement home with 32 flats, but until the legal issues surrounding the insurance claim are resolved he will not have the funds to do this. He says: "I have already had to sell cottages in the land around Tortworth Court to raise money for legal fees."

Greg Beale, Conservation Officer for the South Gloucestershire Council says: "It would be very nice if Tortworth Court itself was for sale, we could perhaps then do something about it."

Those considering buying such houses should proceed with caution: The catalogue provides contacts such as the local conservation officers as first points of call. They may well be aware of owners' details and the history of the relevant property. Miss Cole says: "The earlier you make contact with the conservation officers the better. But do not confuse conservation officers with estate agents. They can often provide the limited information available on record."



Tortworth Court in Gloucestershire, a property considered to be of national significance, was damaged by fire. Its future is now uncertain

**'It is important to me that the house stays in the family. But restoration would cost £2.6 million'**

has broken out and appallingly, some architectural theft has taken place. The roof of the service wing... has recently collapsed.

"The owner has failed to carry out the repairs, although she has repeatedly told the local authority she plans to live in the hall herself. While the owner hesitates, the hall deteriorates."

Lady Delves Broughton says that she is constrained by a lack of funds. She says: "A restoration of Dodington would cost £2.6 million, and I want to do it properly. It is very important to me that the house stays in the family. I have applied to English Heritage for a grant and I'm waiting to hear."

English Heritage will almost never grant aid to a building unless it has approved the work and the building is Grade II or Grade I. But the same body in Wales, Cadw, has the discretionary right to commit grant money for repairs to buildings in conservation areas and in any of the three grades of listing.

Thame Park is a magnificent country house that was built on the

details and the history of the relevant property. Miss Cole says: "The earlier you make contact with the conservation officers the better. But do not confuse conservation officers with estate agents. They can often provide the limited information available on record."

"The best way forward is then to write a letter to the authority to profess interest, since this can then be discussed and where appropriate, forwarded to the owner."

Some houses are for sale. Castle Eden is a grade II listed property in County Durham with something of the Gothic splendour of its original conception. The owner refuses to reveal his identity and has put the castle up for sale with Carter Jonas, a Harrogate agent.

With understatement worthy of his profession, Tim Waring of Carter Jonas says "substantial expenditure would be required to restore the house". The suggestion is that at least £1 million would be needed. Would-be saviours have been warned.

SAVE Britain's Heritage 0171-253 3500 Seeking Saviours report is available for £11.95 (including p&p).

## Brownfield site homes boom

Residential development in central London last year reached the highest level since the late 1980s, according to a survey by the estate agent F.P.D. Savills. Adam Barnard writes.

The strength of the property market and growth in the number of overseas buyers are cited as factors in the rise of major developments from 92 in 1996 to 108 in 1997.

The survey shows that 98 per cent of the new homes were built on brownfield land - land that was previously in non-residential use - compared with 84 per cent two years ago.

Richard Donnell, a research analyst with F.P.D. Savills, says that the pattern is repeated in all the major cities. "Developers are buying more redundant sites," he adds. "Big cities that have in the past had a lot of industry are providing

**Most new city housing is now on redundant plots**

considerable amounts of brownfield land."

A spokesman for the Environment Department says: "It is good news. It is the policy of this Government to make use of recycled land wherever possible."

Mary Cranfield-Adams, of the Homes Builders Federation, says: "We welcome the news. We are certainly keen to develop more brownfield sites in London. But there are still obstacles facing constructors seeking to develop on brownfield land. The biggest brownfield development, Enfield Lock, has met with a lot of opposition."

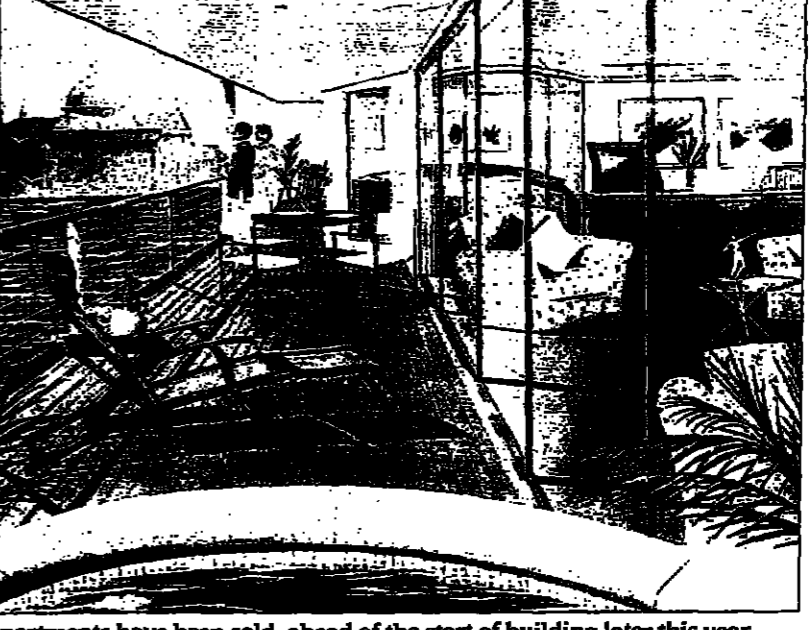
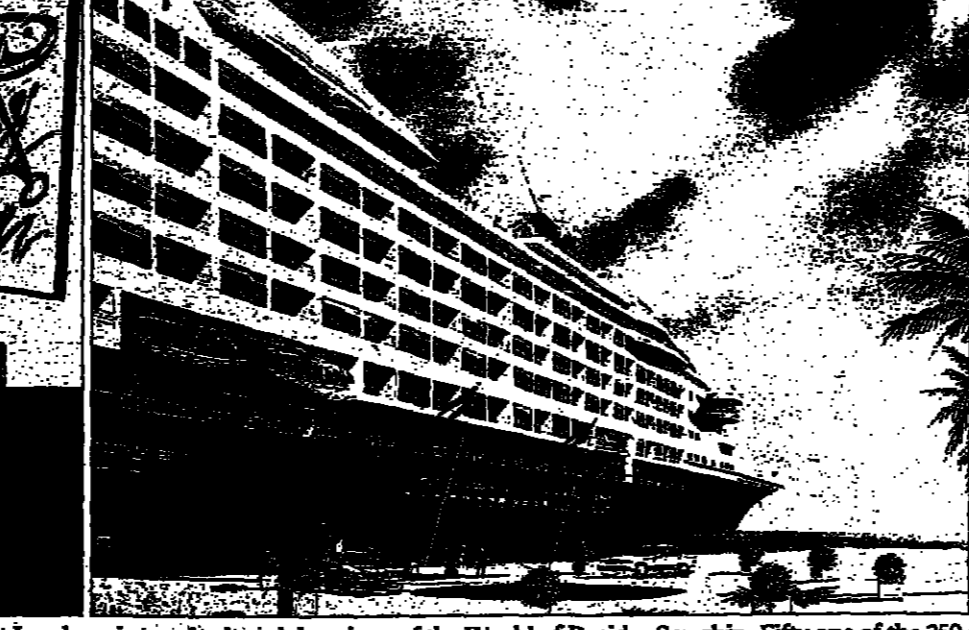
"We hope to work with Lord Rogers [the architect and Labour

peer] to improve the situation." About 5,400 new residential units became occupied last year, compared with 3,000 in 1995 and 4,500 in 1996. The average price per square foot in new residential developments was £324, up from £261 the year before.

Mr Donnell says: "From 1987, development decreased dramatically in London. In the early 1990s we saw the effects of the recession. In 1994, schemes such as Kensington Green and the Observatory Gardens prompted a growing resumption."

Last year 95 per cent of units available for purchase were "off-plan", meaning they were still under construction when marketing began. This, Mr Donnell says, has already changed after economic turmoil in the Far East, which has reduced the number of Asian buyers.

# How to navigate through the off-plan market



Sails take off: a show apartment at Point West, the former West London air terminal, and drawings of the World of Residensea ship. Fifty one of the 250 apartments have been sold, ahead of the start of building later this year

A long-running dispute that came about solely because a flat was bought off-plan - in other words, before it had been built - ended last week in an undisclosed settlement.

Geoffrey Walker, a retired businessman, paid £50,000 on a planned tenth-floor flat on the basis of illustrations in a glossy brochure. He bought his new home at The Whitehouse, a development in the old Shell building near Waterloo in London, because the sales material showed it to be on the top floor.

But soon after, the developer, Galliard Homes, received planning permission to build another two floors above his. Mr Walker's dreams of life at the top had been dashed, and he turned, distraught, to his solicitor.

For better or worse, buying off-plan is back, and perhaps influenced by the Oriental market. It is bigger than ever. In Hong Kong it has long been a standard sales practice. There, the jostle for space means that good flats can go in the blink of an eye and prices can soar in a month.

Now, with the revival of the market, the phenomenon first seen here in the late Eighties property boom has returned. Paul Vallone, sales and marketing director for the developer, Berkeley Homes, says: "We are going more and more people buying off-plan or at a very early stage in the construction

process." Developers talk of lightning-fast sales. But those who remember some of the problems caused by the fast last decade may be more wary.

At Point West, a conversion scheme in Cromwell Road, West London, hundreds of buyers lost deposits averaging £65,000 on unbuilt flats after work that began in 1987 collapsed four years later - a victim of the recession. It took another seven years before the flats in the former West London air terminal were built.

Hugh Dunsmore-Hardy, of the National Association of Estate Agents, says that the revival of buying off-plan is evidence of the strength of the property market. But he warns buyers against making hasty decisions.

"So far as we are concerned, it is important to receive as much information as possible. It is essential that people are well-informed before they buy. There are some risks, and it helps if the developer is well-known."

"And there is always the threat of another dive in the market. The size of the deposit needs to be looked at carefully. No one foresaw the recession of the late Eighties."

But developers such as Berkeley, are not going to miss out on the new marketing opportunity. Armed with drawings, diagrams, material samples, videos and even computer software, they aim to present so accurate a picture of a home that the buyer will be confident enough

## With homes in short supply there is a revival of a controversial Eighties sales technique that buyers have learnt to love or loathe. Adam Barnard reports

to make a deal before a brick has been laid. But what might tempt someone to buy a house that doesn't exist? Roy Conway, of Galliard Homes, attributes the new fad to house-price inflation. He says: "There are strong financial reasons for buying off-plan. It is an advantage to the consumer to get contracts exchanged as soon as possible. With prices increasing at up to 10 per cent a year, you get a better deal at exchange than you would at completion."

Another reason is the speed at which property is selling at the moment. Recent figures from Black Horse Agencies, one of the UK's largest estate agency networks, show that homes are taking an average of only 11 weeks to sell, and the figure is as low as two weeks in some parts of the country. Mr Conway says: "If you don't buy off-plan, a home may be gone the next time you look."

Berkeley Homes makes it policy to sell off-plan where possible. Mr Vallone says that about 80 per cent of their properties are sold off-plan. "One of the advantages of buying early is that you can have more say in the decor as the house is built.

The earlier you get in, the more say you have."

Berkeley offers a bespoke design service, which allows buyers to tailor a home's interior design to their own taste.

It uses a "selection suite", in which a range of floor and wall tiles, kitchen doors and work surfaces is on display. Mr Vallone says: "We help an increasing number of buyers to customise

their houses. The selection suites help purchasers to compare one look with another."

much as I'd expected it, so I was happy."

She is now selling the flat, asking price £105,000, and buying another, two-bedroom flat, again off-plan. "Having done it once, I am not nervous about it," Ms Bruce says. "I feel confident that the flat will turn out right."

Peter and Jeanette Wong, who live in Surrey, have bought a two-bedroom flat in Capital Wharf, near Tower Bridge. For the present, their new home is a hard-hat-only site with cranes, carpenters and large signs saying "Berkeley Homes".

Berkeley offered prospective buyers a CD-Rom along with the traditional glossy brochure.

Mr and Mrs Wong look forward to moving in when building is completed in September. "There is a risk that things might not end up the way you expect them, and that's why it is important to trust the developers. We saw it recently and we were very pleased. The views over Tower Bridge are great; better than we had expected."

ten years ago. So they were already familiar with the practice. "It has been quite natural in Hong Kong for a long time to buy a flat which might be built more than a year later. If you buy off-plan, you have more choice, and you are saving money by avoiding inflation. It is a good investment."

In Cheshire, it took just four days to sell all ten flats in a new development at Hale, near Manchester. "They were buying a hole in the ground," says a spokesman from the developer, Crosby Homes. "It was very exciting. We'd just started digging when the inquiries came. The momentum was amazing."

The four-storey development, Spring House, is a mix of one and two-bedroom flats. Prices ranged from £52,950 to £89,950.

At Moorland View, a development in Leeds, 15 of 30 new four-bedroom detached homes have been sold off-plan since the start of the year. Peter Rider, a director of Barwick, the developer, puts the success down to two fully fitted showrooms that give an indication of what living in the houses will be like. He says: "We spent £30,000 on the showrooms and they've paid dividends hand over fist."

Mr Rider says that in the North of England off-plan buying is more common for properties at the lower end of the market. "The more discerning buyers in the North tend to want to wait until the roof has gone up. They feel they need to see the aesthetics of what they're

buying. A lot of people don't know how to read plans. They can't imagine something until they've seen it in 3D. If the price is higher than £300,000, we won't usually sell off-plan."

Mr Conway says that buying off-plan is most popular in London, where there is a shortage of quality housing in a highly competitive market.

In Barnes, southwest London, 45 houses and flats in the new Harrods Village development have been bought in advance. The developer, Berkeley Homes, hopes that the first buyers will be able to move in by July.

Spice Quay, a new set of luxury flats at Butlers Wharf, near Tower Bridge, London, has been marketed with a computer model which allows you to 'fly' through the flats in virtual reality - by day or by night. The £20,000 system has been such a success that Galliard Homes is preparing an upgraded version for The Whitehouse.

But perhaps the most astonishing example of the trend is that of the World of Residensea, a planned 1,000ft luxury liner with 250 apartments. This mobile home, a veritable Regent's Park on water, will cruise from port to port worldwide. The average price of an apartment is \$2.2 million (about £1.3 million). And though not a plank has been laid, sales have begun in earnest: 51 homes have sold, including 12 to British buyers.



RUGBY UNION: BATH WING IS CALLED IN AS REPLACEMENT FOR INJURED REES IN FIVE NATIONS MATCH WITH SCOTLAND

England turn to strength of Adebayo

By David Hands, Rugby Correspondent

ADEBAYO ADEBAYO, the Bath wing, was drafted yesterday into the England squad...

one of three backs who did not train in Cardiff yesterday, along with his fellow centre, Scott Gibbs...

"We have given him the most time because of his value to the team, though I have no doubts that if Leigh Davies comes in, he will be championing at the bit..."

Clive Woodward, the England coach, had been seeking news on Underwood's fitness before naming his team today...

Rees, who played the first half of Sale's game with Harlequins on Saturday, had made a great impact in his first international season...

Wales, meanwhile, will give Allan Bateman as much time as possible to recover from a badly bruised shin before confirming his place in the XV to play Ireland at Lansdowne Road on Saturday...



Adebayo's bustling strength will provide England with adequate experienced cover in the absence of the first-choice wing, Rees

Scotland expects Sunday-best conduct

ALTHOUGH both England and Scotland have replicas of the Calcutta Cup, the real thing will be on display at the after-match buffet at Murrayfield on Sunday...



LOOSE TALK

Limerick's day Limerick will stage the A International between Ireland and Wales on Friday at Thomond Park...

Historic trip The Three Shires club in Lyme Regis will make a little piece of history this summer when its under-13 side sets off for China and New Zealand...

specifically to provide rugby for youngsters from Dorset, Somerset and Devon. Nigel Powell, a Devon Society referee, set up the club after taking a side from Woodruffe School in Lyme Regis to South Africa in 1995...

Gap narrows

Scotland may be underdogs at Murrayfield this Sunday, but not all bookmakers believe it will be a walkover. Sporting Index, the spread-betting firm, revised its margins after the Wales game...

Tight situation

Belt-tightening has seen London Scottish try to charge players £15 a month for food and a similar amount for parking at the ground. After talks with the management, the £15 for food was refunded when the players decided they would do without...

MARK SOUSTER

SAILING

Silk Cut applies pressure to leader

By Edward Gorman, Sailing Correspondent

FOUR days into leg six from São Sebastião to Fort Lauderdale, the Whitbread Round the World Race fleet is continuing to head up the Brazilian coast...

Among the best performers in a still very tightly-packed fleet just south of the latitude of Recife is Lawrence Smith, of Great Britain, on Silk Cut, who is still hoping for his first podium finish in this race...

The leading trio are in the westernmost group, in which Smith and Heiner made significant gains early yesterday. The other yachts are in two groups further east, with John Kosciński, on Cheshire Racing, leading the middle group...

Among those who seem to be struggling is Grant Dalton, of New Zealand, on Merit Cup, who described as "a real pain" the calm patches that he has encountered under big, black clouds.

In the Southern Ocean, the all-women crew on Royal & Sun Alliance, skippered by Tracy Edwards, are having a very rough time west of Cape Horn as an inverse low pressure system produces winds of more than 60 knots...

Despite the gale-force conditions, the crew again managed to complete a 24-hour run of 465 miles and are still closing the gap on Olivier de Kersusson's non-stop round-the-world record time.

Real estate listings for London Rentals, Overseas Property, and Country Rentals. Includes details for various properties and agencies like National Vacation Club.

Real estate listings for France, Portugal, and Spain. Includes details for properties in various regions like the Balearics and Algarve.

Real estate listings for Italy, Spain, and Overseas Property. Includes details for properties in Italy and Spain.

Real estate listings for Spain, Portugal, and Overseas Property. Includes details for properties in Spain and Portugal.

Real estate listings for USA and various agencies like Keith Cardale Groves, Ewgap, and Coppington Joyce.

Advertisement for the French Property Exhibition, 20th, 21st, and 22nd March 1998. Includes details about the exhibition and contact information.

Advertisement for Keith Cardale Groves, Mayfair, 36 North Audley Street, W1Y 1WG. Includes contact details.

Advertisement for Birch & Co, 18 Jermyn Street, London SW1Y 6HP. Includes contact details.

Advertisement for Michael Shanly Homes, Riverside Gardens, Bourne End, Buckinghamshire. Includes details about the property and contact information.

Advertisement for Aylesford, Chelsea Office and Kensington Office. Includes contact details for Catherine Cockcroft and Beth Cook.

Advertisement for ARLA, Association of Residential Letting Agents. Includes details about the organization and its services.

Advertisement for Forest Bureau, 212 Tower Bridge Road, London SE1 2UP. Includes contact details.





CRICKET

Judgment day dogs Atherton

FROM ALAN LEE, CRICKET CORRESPONDENT, IN BARBADOS

THE skies over Barbados were mockingly blue yesterday after their single, unseasonal day of sulking. It will be a bizarre epitaph for this tour if all England could not overcome the Caribbean weather, but that may be how it is judged a week from now.

Since these tales of the unexpected first gripped and shocked with the Sabina Park fiasco in January, England have been the better of two limited Tests in Trinidad and, after a heavy, if mitigated, defeat in Guyana, they dictated the match here until a second abandonment — more conventional, yet no less crushing than that in Jamaica.

Winning the series, the stated expectation of the winter, is now beyond them. Unless England win the final Test in Antigua, or maybe even if they do, the public mood will be for change. The team will be deemed to have failed.

This instinctive, very English response will be unreasonable, but probably irresistible. England have played

better, more organised, cricket on this tour than for some years past. The players have been selected shrewdly, led well and managed astiduously. There have been some notable individual games and, more importantly, they have looked a team. But they have not won and, when the bottom line of a modern sports side shows no profit, someone has to pay.

The scapegoat has been identified and prepared. Long before he came so close to achieving a second memorable win at Kensington Oval, a grim Michael Atherton was aware that his captaincy probably could not survive any other result. He had made few runs on tour and exhausted whatever credit he retained with the tabloid end of the media market.

Atherton is in a dilemma, partly of his own making. He is well accustomed to the should-he-stay-or-should-he-go debates, but this one will pain him more. Last autumn, he stayed on, against his initial judgement, to attack personal and team goals.

These have been defended safely, leaving him with the option of going quietly or identifying fresh targets.

Test cricket remains his addiction, as his insomnia on Sunday night indicated. "It's a good sign," he said yesterday. "If you still get nervous for the big days it shows you still care." Atherton remains the best Test captain available, a vastly improved tactician and a mighty presence among his peers. Such things are not enough when it is deemed your time is up.

David Graveney, the chairman of selectors, has supported Atherton stoutly, although he has suggested that Atherton might be better relinquishing the one-day aspect of the job. Graveney was careful with his words yesterday, but he discouraged nothing. "I am aware the captaincy will become an issue again, but I would only want to talk about it after our Test series has ended in Antigua," he said. "I'm a great fan of Michael Atherton, that has been no secret, but as selectors, we will make up our minds at the right and proper time."

"We will have a meeting back in England, away from Atherton, and then we will involve him in discussions. It will not happen until all the cricket on this tour has been played."

By that, of course, Graveney meant the one-day cricket, too. A 15-man party has been finalised for the five limited-overs internationals, starting on March 29. Of the seven intended arrivals — men who played in Sharjah in December, when England won the Champions' Trophy, but have not been part of the Caribbean group — Ashley Giles has withdrawn, with an Achilles injury, allowing the well-merited inclusion of Mark Ramprakash.

Jack Russell will be kept off — in this case merely as a standby for Alec Stewart — and the final bowling place goes to Angus Fraser. Atherton, it is being insisted, will lead the side.

One thing is sure. If Atherton relinquishes, decides that he wants to head England into the World Cup and beyond, he will be one of the great sporting survivors of our time.

Tendulkar has Warne in spin

Simon Wilde says Mark Taylor's side could lose a Test series for the first time in four years



Tendulkar, India's leading batsman, has usually been on top when facing Australia's match-winning bowler

THE stakes could hardly be higher as Shane Warne renews his compelling duel with Sachin Tendulkar at Eden Gardens, Calcutta, today. If Australia are to avoid the defeat in the second Test that would condemn them to their first Test series for four years, their star bowler must find an answer to the batsman who has mastered him like no other in the world.

Warne, aware that his reputation is at stake, is talking of employing new tricks to help get his side back into the three-match series.

He needs them. In eight matches in which they have been in opposition, Tendulkar averages 112 and Warne, whose wickets have cost 66 apiece, has dismissed him just once — during the first Test match in Madras last week, which India won by 179 runs.

"This is an important game and I will try a few different things here," Warne said. "Tendulkar is one of the best batsmen in the world, if not the best."

"We have to find ways to contain him. I bowled fairly well in the first innings at Madras and bowled a few good balls in the second as well, but was unlucky. I'll be different here."

In fact, Tendulkar is not Warne's only problem for both in the second innings at Madras, where Tendulkar scored a flawless unbeaten 155, and in Bombay earlier in the tour, where he struck a career-best 204 not out, the leg spinner took punishment before Tendulkar ever got to the

crease. In the first Test, Navjot Sidhu, the India opener, struck Warne for a string of boundaries.

Tendulkar has long held a psychological advantage over Warne, though their meetings have been few owing to the vagaries of the Test match schedules and a finger opera-

tion that kept Warne out of a tour of India two years ago.

In Madras, they were encountering each other for the first time in a Test for six years — the previous series, in Australia in 1991-92, being Warne's first. As a novice leg-spinner, he had a miserable

time, taking one wicket for 228 runs in two matches before being dropped.

Tendulkar, then 18 years of age but already an established international, scored a sparkling unbeaten century in the first match in Sydney and, although he failed in the second at Adelaide, he fell twice to fast bowlers there. After that, Warne returned to the Australian academy for further tuition.

Tendulkar retained the upper hand when they subsequently met in one-day internationals and during the World Cup on the subcontinent in 1996. Warne said that he found Tendulkar less forgiving to bowl to than Brian Lara, with whom he has shared the honours.

Being a fellow Australian, Steve Waugh, another great contemporary batsman, has rarely faced Warne, but he has never been out to him in their few Sheffield Shield meetings.

Australia, acknowledging their strategic errors in Madras, have named three spin bowlers in their 12-man party for Calcutta, with Stuart MacGill, another leg spinner, and Gavin Robertson available to lend Warne support.

Only Warne and Robertson played in the first Test, in which India — who are expected to retain the same side — fielded three spinners.

"In hindsight, we should have played three spinners in Madras," Mark Taylor, Australia's captain, conceded. "We may do it this time, but not before having a final look at the pitch before the toss. The pitch at Eden Gardens is like any other in India — slow and low. It reminds me a lot of Sydney, where spinners have generally done well."

Paul Wilson, a seamer bowler, has been included in Australia's squad, but will be omitted if MacGill is chosen. Wilson has taken the place of the injured Reiffel.

Zimbabwe set up chance of victory

A MAGNIFICENT unbroken fourth-wicket stand of 277 between Murray Goodwin and Andy Flower yesterday has given Zimbabwe an excellent chance of winning the first Test match against Pakistan in Bulawayo.

Both scored centuries against an attack weakened after lunch by the loss of Waqar Younis because of a bruised toe. Zimbabwe declared at 302 for four. Pakistan, needing 368 to win, struggled to 24 without loss from 15 overs at the close on the fourth day, but lost Saeed Anwar, retired hurt.

Goodwin, who made 166 not out, and Flower, unbeaten on 100, came together with Zimbabwe tottering on 25 for four and Pakistan, only 90 in arrears, back in the game. But Waqar, who had taken the two wickets to fall in the morning — Grant Flower, who had carried his bat through the first innings, and Campbell — did not retake the field after lunch.

Pakistan already were without Mushatq Ahmed and Wasim Akram, who withdrew from the game through illness.

Andy Flower was relieved when Inzamam-ul-Haq dropped a straightforward catch at first slip off Shoaib Akhtar with the partnership worth 139. Goodwin, who made a duck in the first innings, surpassed his previous highest Test score of 75 made in Sri Lanka earlier this year.

Zimbabwe's main obstacle to winning may be the pitch, which has played more easily as the match has progressed.

ZIMBABWE: First Innings 321 (G.W. Flower 156 not out, H.H. Shreek 53, Waqar Younis 5 for 106)

Second Innings  
G.W. Flower 26 & Waqar Younis 66  
D.P. Wilson 26 & Shoaib Akhtar 5  
A.R. Wahid 2 & Younis 5  
M.W. Goodwin not out 16  
A.D.R. Campbell 1 & J.C. Adams 5  
J.A. Flower 100  
S.A. Masheke 100  
Total 4 wickets down 277  
Fall of Wickets: 1-4, 2-15, 3-19, 4-25  
BOWLING: Waqar Younis 11-5-18-2; Shoaib Akhtar 23-2-57-2; Anwar Mahmood 24-1-102-4; A.R. Wahid 5-0-11-0; Saeed Anwar 15-5-52-0; Saeed Anwar 4-0-19-0; Inzamam-ul-Haq 1-0-0-0

PAKISTAN: First Innings 256 (Younis 100, Younis 66, G.J. Whitham 4-38)

Second Innings  
Saeed Anwar not out 7  
Shoaib Akhtar not out 4  
Ejaz Butt 4  
Total 4 wickets down 24  
BOWLING: Shoaib Akhtar 5-11-0; Masheke 4-2-5-0; Shreeff 1-0-0-0; G.J. Whitham 2-0-0-0; A.R. Wahid 1-1-0-0  
Umpires: I.D. Robinson (Zimbabwe) and D.R. Shepherd (England)

Bishop and Williams pay price for failures

WEST Indies have reacted to being outplayed in Barbados in similar manner to their response to an overwhelming win in Guyana, making more changes to their personnel for the final Test, which starts at St John's, Antigua, on Friday.

The selection panel jettisoned both opening batsmen for the Barbados Test to great effect. Cavalier stands of 82 and 72 between Philo Wallace and Clayton Lambert dwarfed anything achieved by their struggling predecessors.

Now, the selectors have discarded Ian Bishop and David Williams, neither of whom has looked worthy of a place. Williams was a home-town hero in Port of Spain after his plucky part in the stand with Carl Hooper that snatched the second Test away from England. However, since then he has scored 17 runs in five innings and his wicketkeeping has been scruffy. The natural progres-

sion would have been to pick Ricky Hoyte, the West Indies A-team wicketkeeper, who also bats left-handed very effectively for Barbados. Instead, a shade perversely, there is a recall for Junior Murray, the Grenadian who was dropped from the Test side a year ago.

Bishop has purveyed some of the worst bowling seen in this series and, being an intelligent man, must have expected to be flying home rather than to Antigua. In two Tests, he has taken only three wickets and failed to find any consistency of length or line.

Franklyn Rose, of Jamaica, has been installed in a party of 13 for Antigua and, unless West Indies revert to playing a specialist spin bowler, which is unlikely, he will definitely play.

SQUAD: B.G. Clarke (captain), C.B. Lambert, P. Williams, R. Hooper, J. Murray, G.E. Adams, R.H. Granger, R. Murray, G.E. Adams, F.D. Rose, N.A.M. McLean, C.A. Harris, D. Ramprakash

HOW TENDULKAR TAMED WARNE

Season	Tendulkar	Warne
1991-92	148	1 for 159
Sydney (Test)	8	0 for 18
Adelaide (Test)	17	0 for 60
1993-94	6	2 for 40
Sharjah (one-day)		
1994-95	210	2 for 53
Colombo (one-day)	47	0 for 81
Durbin (one-day)		
1995-96	90	1 for 28
Bombay (one-day)		
1997-98	204	4 for 111
Bombay (one-day)	1	1 for 122
Madras (Test)		
Total	787 runs	11 wickets (av 112.42) (av 92.16)



Warne will experiment

Reiffel stays at home

OFFICIALS at Northamptonshire are conducting an eleven-hour search for an overseas player after Paul Reiffel, the Australia medium-pace bowler, pulled out of his contract to play for them this summer (Simon Wilde writes). They do not expect to have someone in place before the season opens on April 14.

Reiffel has told Northamptonshire that he needs surgery on his right shoulder, but his explanation made it clear that his priorities have changed.

When he signed, he did not view himself as a regular in the Test side, a view he has revised in the light of injuries to other bowlers. Reiffel is in India and wants a break before Australia visit Pakistan in September.

Northamptonshire were looking forward to Reiffel teaming up with another signing, Devon Malcolm, from Derbyshire. They had hoped to sign Shane Warne before he decided against county cricket. They may now return to Anil Kumble, who served them well in 1995.

BOWLS: ENGLAND BEGIN DEFENCE OF TITLE WITH COMFORTABLE VICTORY

Inspired Irish win battles but not war

BY DAVID RHYS JONES

IRELAND'S bowlers were inspired by St Patrick's Day yesterday when they won four out of six rinks against England, the defending champions, on the opening day of the women's home international series at Darlington.

Sadly for the Irish, their winning margins were modest and could not cover the huge

deficits on the two losing rinks, so England won overall 128-105. Doreen Hankin, from Eggham, skipped her rink to a 3-13 win over Audrey Duggan's quartet, while Beryl Alderson, from Thornaby, near Darlington, steered her rink to a 30-11 victory over Ann McGuinness.

The best, or at least most interesting, bowling was on the other four rinks, especially

on rink three, where Margaret Johnston bounced back after losing the British Isles singles final on Monday to beat Mary Price, England's most dangerous player, 25-17.

Phillis Nolan beat Mavis Steele by one shot. Joyce Mullholland beat Norma Shaw by two and Maureen Fearon beat Jayne Royle by three. However, Hankin and Alderson raced ahead

from the start and England were always in front, so the selectors will not be particularly worried about those rink defeats.

With four experienced but relatively young newcomers — Jean Baker, Sandy Hazell, Liz Messer and Carol Pillington — in their side, England, who should defeat Wales today, look to be even stronger than last year.

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Irish can add to first-day successes in Queen Mother Champion Chase

Klairon Davis primed to reclaim crown

2.00: French Holly is the clear form choice judged on his emphatic Tolworth Hurdle success. The form of that race has worked out brilliantly...

TODAY'S RACES AT CHELTENHAM

she was much more impressive at Doncaster 11 days ago and looks a decent each-way proposition. Foxchapel King's claims were enhanced by his stablemate, His Song...

2.35: This is one of the kindest Festival races for punters and it is difficult to look beyond the front two in the betting market. Ask Tom, runner-up last year, has the necessary form credentials...



French Holly wins at Huntingdon last time out but illustrates the flaws in his jumping technique with a blunder at the last flight

3.15: Native-Darrig has shown decent form in three runs this year and Willie Mullins believes further improvement is likely. Royale Angela and Lucia Forte have sound form...

Native Estates over an inadequate trip last time but for falling. However, preference is for Impulsive Dream, who beat the useful Advocate...

3.55: Florida Pearl's talent is equal to the hype that accompanies him from Ireland, as he proved when brilliant winner of the bumper last year...

away as expected after cruising upsidе Boss Doyle over two miles and five furlongs at Leopardstown last time. The hill might find him out...

himself appeared not to relish the stiff finish here in the past, and Fiddling The Facts comes from a yard in better form. The each-way value, however, could be Ask The Butler...

4.30: Farfadet V has never run over fences, nor beyond 2 1/2 miles, making him a typically unknown quantity in this race. As usual, the Irish bring the darkest horses: Lucky Town and Nelson's Tippet look plausible...

5.05: The improving Monnaie Forte may be confounded by a hard recent race at Haydock. Sparky Gayle, winner of the Cathcart last year, shaped as though ready to resume his

progress when running well over hurdles last time. Trying Again has given no such indication that he is about to return to the form that would give him every chance off this mark...

5.40: The Irish have enjoyed a virtual stranglehold of this race, and connections of Joe Mae will not hear of defeat. Their confidence can be vindicated at the expense of To Your Honour, whose form is the more solid...

Meade denied celebration by cruellest of margins

SOMETIMES, there is nowhere quite so lonely as the midst of 45,000 people. When the result was finally announced, Noel Meade's face quivered with anguish. Being the gentleman he is, he paused to congratulate the connections of Champeve...

very announcement of the result had been a torment. "First, number sixteen." His own horse was number six. In football terms, Meade has hit the bar at the Festival on numerous occasions. Denied more cruelly than ever, he should have nothing on his mind now but to hit the bar. From the stands, it seemed that Richard "Duro" Woodley had hauled Hill Society, fourth jumping the last, past Champeve, who had faltered in the lead during the final, shattering surge up the hill. It was not especially evident, even from the print, that Champeve's nostril could be distinguished.

THE GREY MONK will miss tomorrow's Tote Cheltenham Gold Cup for the second year running. Gordon Richards yesterday admitted defeat in his battle to get the gelding fit for chasing's blue riband, for which he has been a leading fancy all season and was a third favourite with William Hill. A workout yesterday convinced him that two races more gallops have not been enough to bring back the sparkle in the grey, who was scratched from the Gold Cup at the eleventh hour last year because of unsuitably firm ground. Richards will now rely on Addington Boy in the big chase.

great trainer, and a great man. We would have settled for a dead-heat." So, one imagines, would David Johnson's bookmaker. The owner, successful the previous year with Or Royal, backed his French import to win £200,000. Perhaps the Tote has the misfortune of numbering Johnson among its clientele. It reported that off-course turnover had exceeded last year's first-day business half an hour before the first race, the Cirocco Supreme Novices' Hurdle. This gave the Irish the exultant start they desired, French Ballerina beating her travelling companion, His Song, by seven lengths.

Once again, it was not a result that will necessarily have touched the heart of every romantic. The mare carried the colours of Mrs John Magnier, fronting one of the Coolmore syndicates that are such a superpower in the bloodstock world. Few will resent success, however, for Vincent O'Brien, who owns a share, for Pat Flynn, who had saddled the winner five years earlier in Montelator, or for Graham Bradley, still as nobly gifted as when Bregovan won the Gold Cup back in 1983.

"It was frightening how well I was going," Bradley said. Those inclined to agree include Coral, which offers 14-1 against her depriving last-year of his title next year, less craven, at 20-1, is the Tote. On a day to celebrate aristocracy in the saddle, Seamus Durack confirmed himself an amateur in name only when in Truth won the Kim Muir Fulke Walwyn Chase, while Paul Carberry took the William Hill National Hunt Handicap Chase on Unguided Missile. The latter was at the expense of Tony Dobbin, who had sustained a suspected thumb fracture when Chief's Song fell in the Arkle. As Pipe and Meade could tell him, there is a desperately fine margin between breaking records, and breaking hearts.

RESULTS FROM YESTERDAY'S THREE MEETINGS

Table of race results from Cheltenham, including 1.50 Keyser Selling Handicap Hurdle and 2.20 Melchior Maiden Hurdle.

RESULTS FROM YESTERDAY'S THREE MEETINGS

Table of race results from Cheltenham, including 3.25 Lady Riders Handicap Hurdle and 4.05 Thurlough Handicap Hurdle.

RESULTS FROM YESTERDAY'S THREE MEETINGS

Table of race results from Cheltenham, including 4.40 Dohurst Novices Chase and 5.15 Sunnyside Standard Open National Hunt Flat Race.

RESULTS FROM YESTERDAY'S THREE MEETINGS

Table of race results from Cheltenham, including 5.45 Mike Howard & Dick Spencer Memorial Novices Hunters Chase and 6.20 Little Close Handicap Hurdle.

RESULTS FROM YESTERDAY'S THREE MEETINGS

Table of race results from Cheltenham, including 6.55 Horses for Courses Handicap Chase and 7.20 Will Merriman Chase Cutting Theory Handicap Chase.

RESULTS FROM YESTERDAY'S THREE MEETINGS

Table of race results from Cheltenham, including 7.55 Newton Abbot Thunders and 8.25 Two Magpies Handicap Chase.

RESULTS FROM YESTERDAY'S THREE MEETINGS

Table of race results from Cheltenham, including 8.55 Newton Abbot Thunders and 9.25 Little Close Handicap Hurdle.

RESULTS FROM YESTERDAY'S THREE MEETINGS

Table of race results from Cheltenham, including 9.55 Newton Abbot Thunders and 10.25 Little Close Handicap Hurdle.

RESULTS FROM YESTERDAY'S THREE MEETINGS

Table of race results from Cheltenham, including 10.55 Newton Abbot Thunders and 11.25 Little Close Handicap Hurdle.

RESULTS FROM YESTERDAY'S THREE MEETINGS

Table of race results from Cheltenham, including 11.55 Newton Abbot Thunders and 12.25 Little Close Handicap Hurdle.

COURSE SPECIALISTS

Table listing course specialists for various races, including names like Houghton, J. G. and horses like Houghton, J. G.

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BUT A DAY  
OF REST.**

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THE  TIMES





RUGBY UNION 47

Adebayo wings his way back into England's plans

SPORT

SIMON BARNES 54

How Ramprakash forced me to eat humble pie

WEDNESDAY MARCH 18 1998

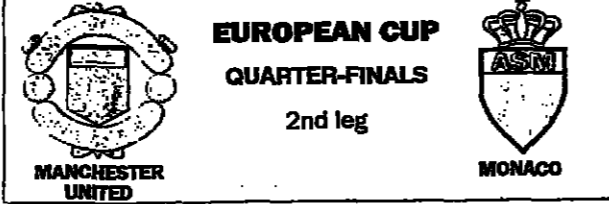
Ferguson risks early return

United ready to gamble with Giggs

BY OLIVER HOLT FOOTBALL CORRESPONDENT THE shock of the fall against Arsenal was bad enough, the injuries a bitter blow, the reopening of the championship race an irritation — but all will pale into insignificance at Old Trafford tonight if Manchester United do not get the win that they need to take them beyond AS Monaco and into the semi-finals of the European Cup.

This season, more than any before, Ferguson has made the quest for the one trophy he needs to elevate him into the pantheon of United greats alongside Sir Matt Busby his absolute priority. Every other competition, even the FA Cup, has played a subservient role to the master goal. Tonight, it seems, he will even be prepared to take a huge gamble with his leading player to facilitate the pursuit. Mentally, as much as physically, it has been the target that has driven his players on, the competition that they have saved their best, most intense performances for. These have been the dates when they have really come alive, when their penetration and their verve has matched that of any team in Europe, when Ryan Giggs and Andy Cole have shone as virtuosos.

It will be a shattering blow to them if they do not overcome the French champions in front of a capacity crowd tonight, a blow that could rob their faltering league form of what remains of its fluency. It will be a mark of their resilience and their fitness to be rulers of Europe if they can rise to the occasion. They performed well enough in the Principality a fortnight ago on a rock-hard pitch that some said looked like a cabbage patch. It was a dour game and there was no



away goal, but they got the draw that they wanted without too many alarms and seemed to have gained the upper hand in the tie. What has happened since, though, has changed the complexion of the match tonight. The most important factor is that United will be without their goalkeeper and talisman, Peter Schmeichel. His place will be taken by Raymond van der Gouw, a competent enough player but not someone to inspire the same sort of confidence in his defence as the Dane. Schmeichel pulled a hamstring in an ill-advised foray

TEAMS

MANCHESTER UNITED (probable 4-4-2): R van der Gouw — G Neville, H Berg, D May, D Irwin — D Beckham, P Scholes, R Johnson, R George — A Cole, E Shevchenko. AS MONACO (probable 5-3-2): F Barthez — F Duran, W Sagorot, M Konic, M Djedjic, Lounis — T Henry, B Sanchez, J Colletti — D Trezeguet, V Kaptan.

the return of Ryan Giggs after an absence of four weeks with a hamstring injury. During that period, it has become evident just how important he is to the United cause and, even though he would not normally be considered ready to return, Ferguson hinted yesterday that he would play some part in tonight's proceedings. "Ryan trained this morning and did OK," Ferguson said. "He did quite well, in fact. We will have to wait and see if there is a reaction. The question is whether we start him or have him on the bench and maybe the latter is more likely. It depends who else is fit. If there is a reaction, then we cannot risk him. But if there is not, it is a big decision. I have to be fair to Ryan and the team."

"The balance of the team is better with him. He gives us penetration and he is maturing into a truly wonderful player, no question about that. What he gives us are the qualities that are so important if we are going to win big matches. He has got this ability to penetrate with or without the ball. "It will be very difficult for us, but I thought that before previous games against Juventus, Porto and Borussia Dortmund. At this stage of the competition, you expect that. We will be missing players, but the players we start with will respond to the challenge. For some of them, it might be an opportunity they only get once in a lifetime. It is finely balanced and I think one goal will be enough. It could even go to extra time."

Monaco may be without one of their leading players, Victor Klukeba, the African Footballer of the Year, but they will be boosted by the return of their main striker, David Trezeguet, who missed the first leg with injury. Like and swift, he could be the main threat to the English champions. Like United, Monaco have slumped in their domestic league and Jean Tigana, their coach, conceded that the championship was lost after their defeat by Auxerre last Friday. United still have that possibility to fall back on, but somehow it seems as though it will be an empty prize if they fail in the Theatre of Dreams tonight.



Swan delights in Istabraq's moment of victory as the rest of the Champion Hurdle field are left toiling in the wake of the Irish-trained gelding

Istabraq's triumph raises the roof

BY RICHARD EVANS, RACING CORRESPONDENT ISTABRAQ carved a niche in National Hunt history yesterday when he carried the silks of J. P. McManus, the legendary Irish gambler, to a record-equalling 12-length victory in the Smurfit Champion Hurdle. The breathtaking success by the 3-1 favourite capped a marvellous St Patrick's Day for the Irish who started the Cheltenham Festival by winning the opening race with French Ballerina — and came within a whisker of winning the Arkle Chase. "There is a green tide washing over Cheltenham," one despondent bookmaker said after Istabraq had removed substantial sums from his and his colleagues' satchels. Just how much J. P., as the owner is known within racing — collected remains a secret. "Enough to pay for the party," he joked. While Istabraq was greeted into the winner's enclosure by a traditional Cheltenham roar of approval, his victory was poignant as well as popular. John Durkan, a former assis-

tant to John Gosden, spotted Istabraq's jumping potential and was to have trained him. However, he was diagnosed to have leukaemia weeks before taking out a trainer's licence and died in January, aged 31. "I think wherever Istabraq is, John is," the owner said. "I wouldn't be fortunate enough

to have Istabraq if it was not for John Durkan. At times like these, thinking about John Durkan makes us realise how fortunate we were to come to Cheltenham at all. To win is a great bonus. Theatreworld finished runner-up for the second year running and thereby completed a remarkable 1-2 for Aidan O'Brien, the outstanding dual-purpose trainer. The young master of Ballydoyle, normally not given to wild predictions, had such confidence in Istabraq that he told his jockey, Charlie Swan, last week that the horse "would destroy his rivals". And so it proved. McManus said: "I got worried about Aidan when he told me in the strongest possible language that he thought Istabraq would do the business but this lad seems to keep on getting it right." David Johnson was another owner totting up his winnings last night after Champlevie had won the Arkle Chase, but

he had an agonising wait before knowing if an ante-post bet of £5,000 each way at 33-1 had been landed. It took the racecourse judge more than ten minutes to decide that Champlevie, trained by Martin Pipe, had beaten Hill Society by the narrowest of margins. Pipe, the champion trainer, went on to complete a double when Unsinkable Bozer ran out one of the easiest Festival winners for years in the Unicorn Homes Gold Card Handicap Hurdle. The 5-2 favourite could be named the winner a long way from home. The success enjoyed by the Irish, yesterday prompted bookmakers to change their odds for other fancied raiders and Durkan's Pride is now 9-4 (from 3-1) with the Tote for the Cheltenham Gold Cup tomorrow while Klairon Davis is only 11-4 for the Queen Mother Champion Chase, the feature race today.



Fitting tribute — 50 Irish hopes high — 51

Crossword puzzle grid with clues and solutions. Title: TIMES TWO CROSSWORD. No 1356.

- ACROSS: 7 Big cat; small weight (5); 8 Range of colours (7); 9 Spot of condensation (7); 10 Making knot (5); 11 Fringe benefit; cheer up (4); 12 Tooth-strengthening water additive (8); 15 Definite; utter (8); 16 Arduous journey (4); 19 Devout; Cornwall boundary river (5); 21 Playhouse (7); 22 Batsman's turn (7); 23 Saltpetre (5).
- DOWN: 1 Display; delay (4,2); 2 Unconsciously (8); 3 (Art) category (5); 4 Food addict (7); 5 Ornamental needlecase (4); 6 W Indian music style (6); 8 Lands ruled from Vatican once (5,6); 13 Vex (8); 14 Looking daggers; obvious (seven) (7); 15 First Irish county (alphabetically) (6); 17 Guardian, esp. of museum collection (6); 18 Creature (5); 20 (Esp. food) option list (4).

SOLUTION TO NO 1355 ACROSS: 1 Park and Ride 7 Couch 8 Bravado 10 Undulate 11 Hiss 13 Emblem 15 Simael 17 Quay 18 Supposes 21 Erosion 22 Suite 23 See the light DOWN: 1 Pictureque 2 Round 3 Achilles 4 Debate 5 Ivan 6 Evasion 9 Obsolete 12 Disposal 14 Beacons 16 Quench 19 Swing 20 Wipe

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St Andrews braced for cart request

THE Royal and Ancient (R and A) is taking legal advice as to whether an American golfer, Casey Martin, should be allowed to use a buggy in this year's Open Championship at Royal Birkdale. Martin has become something of a celebrity after winning a court battle with the US PGA Tour to be allowed to ride, although it is appealing against the decision. He suffers from a rare circulatory disorder that makes it dangerous for him to walk and his doctors have said that too much stress on his withered right leg could cause it to break and may force amputation. Conditions of entry for the Open say: "Players shall walk at all times during a stipulated round unless permitted to ride by the championship committee." Michael Bonallack, the R and A secretary, said yesterday: "If and when he enters, it will be up to the committee to decide whether they will invoke that clause. The matter has been discussed and the general policy is that players must walk but we are taking advice on the matter." "The words about being permitted to ride are there to cover cases of when a player

loses a ball and is given a ride back to the tee. Everybody has a great deal of sympathy for him, but one of the problems is where do you stop? If you allow one, you could have a lot of players producing a doctor's certificate. In any case, it is logistically almost impossible to get a buggy round this course." Martin plays on the Nike Tour in America and, if he entered the Open, would have to go through the 36-hole final qualifying competition at one of four courses near Birkdale. After his court victory, the United States Golf Association (USGA) has given him permission to use a cart in the qualifying competition for



Martin needs to use his buggy to remain in competition

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